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PROTECTION IN VARIOUS COUNTRIES.

EDITED BY WILLIAM HARBUTT DAWSON

THE UNITED STATES

PROTECTION IN THE UNITED STATES

A STUDY OF THE ORIGIN AND
GROWTH OF THE AMERICAN TARIFF
SYSTEM, AND ITS ECONOMIC AND
SOCIAL INFLUENCES

BY

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AUTHOR'S NOTE.

IN the following pages an attempt is made to present a concise historical statement of the origin and growth of the Protective System in America ; the underlying philosophic motives that animated the first Protectionists in America ; the reason Protection has commanded the adherence of a majority of the American people ; and the social and economic effects of Protection.

Limitation of space makes this volume a sketch rather than a detailed plan ; and a subject so comprehensive—in view of that limitation—must necessarily deal with broad principles rather than minute details. Even so, frequent references to the words of the great exponents of the American principle of Protection will enable the student, if he desires to pursue the subject further, to find a wealth of elaboration and argument that

will either convince him or more firmly buttress his preconceived opinions—for that, after all, is the fate of every writer on a controversial subject who cannot demonstrate the faith that is in him by mathematical proof.

The investigator of Protection in America is confronted by more difficulties than the investigator in any other country. So many causes complicate the problem—natural resources, area of the country, population, political institutions, and many others—causes exercising less influence elsewhere, that it is not easy to give to each element in a complex social system its proper weight; to determine narrowly, in some cases, cause and effect, and to reach an exact conclusion as to the precise good wrought by Protection, or the greater good that would have followed had the system of Protection not been adopted. The impartial historian can do no more than state facts. From these facts every reader will draw his own conclusions according to his prejudices or predilections.

I avail myself of this opportunity to express

my thanks to the Hon. O. P. Austin, Chief of the Bureau of Statistics of the United States Government, for his co-operation in furnishing me with much valuable historical and statistical data, which I have freely used; and to the Hon. Carroll D. Wright, LL.D., Chief of the Bureau of Labour of the United States Government, for his always helpful suggestions and wise counsel.

A. M. L.

WASHINGTON,
June, 1904.

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PROTECTION IN THE UNITED STATES.

CHAPTER I.

THE FIRST TARIFFS OF THE UNITED STATES.

THE tariff history of the United States is a peculiar one. When the young nation began its existence, with thirteen States, an area of 827,000 square miles, and a population of 4,000,000, it experienced several years of Free Trade in its most absolute sense. Even this short experience, with this comparatively small area and population, convinced the thoughtful men of the young republic that it needed Protection to develop its manufacturing industries, and thus create a home market for its agricultural products; and the first Tariff Act declared itself, and those who framed and passed it, in favour of that principle. As the nation grew the protectionist sentiment developed greater strength. In 1803, the great Louisiana Purchase doubled the area of the country; the following year saw the tariff increased, and every year the

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country was brought step by step to what it believed to be a definitely protective state. In 1819 Florida was added, and soon a still higher thoroughly protective tariff was passed, bringing with it great prosperity. In 1845, 1846, and 1848 came the great additions of Texas, Oregon, and the Mexican cession, and after a dozen years of experiment with low tariffs following these increases in territory, a territory with all varieties of climate and power of production, the people again decided in favour of Protection, and have maintained it as a fixed principle of governmental policy from that time to this, with a single exception of less than four years.

Thus, as the country grew and added new areas with new varieties of climate and production, the protectionist sentiment grew. The area occupied by the bulk of the people who fought the Revolutionary War was not exclusively an agricultural area, but was much of it better adapted to manufacturing. When at the close of that war the tide of emigration poured over the Alleghanies into the great agricultural area of the West, the importance of being able to manufacture for such a prosperous population, and of supplying to that agricultural population a home market for its products, impressed itself upon the minds of the statesmen of the nation. When that other great agricultural area, the Louisiana Purchase, was added, and the producing power of agriculture and mining greatly increased, the importance of the manufacturing interest became more and more apparent. When

Texas, Oregon, and California were added, the country was in control of a party whose leaders believed in a low tariff, and they maintained that tariff until the people grew tired of the business conditions which accompanied it, and removed them from power so effectually that a quarter of a century passed before they were again entrusted with office, even for a single presidential term. The area of the United States, an area practically equal to that of all Europe, gives it such a variety of climate, soil and production, agricultural, mineral and forest wealth, that each added section, with its new climate and power of production, offered a new reason for Protection as a means to develop manufacturing and enlarge the great home market. The development and retention of the home market has always been regarded as of equal importance with the development of a great manufacturing industry in the minds of the supporters of the protective tariff policy.

The first tariff experience of the United States was during that period after the close of the Revolution in which the new Union existed as a mere confederation. It had no President or other executive officers, and the Congress had no power to enact and enforce tariffs for the whole country. It could recommend to the States what they should do, but each State was at liberty to determine for itself whether it should adopt or reject the measure or general plan recommended by Congress. Some of the States indicated a willingness that Congress

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should enact a general tariff law, but others refused to give their consent. Congress, on the other hand, urged upon the States a uniform rate of duty, but without success. The result was that each State framed a tariff to suit itself, making the rates of duty apply not only to merchandise from foreign countries, but also to that from the other States of the confederation. The result was, first, the destruction of the principle of developing a great internal exchange among the States, and of thus building up a great home market; and, second, the admission by smuggling of goods from abroad without payment of duties.

Even where tariffs were imposed they were in most instances so low as to prove no barrier to merchandise from abroad. The tariff rate named by the great State of Pennsylvania, now the most persistent supporter of a high protective tariff, was but $2\frac{1}{2}$ *per cent.*, which, of course, was not in the slightest degree protective; but even this was nullified by the fact that New Jersey established a free port just across the river from Philadelphia, into which goods were imported without payment of duties and quietly smuggled into Philadelphia. The same thing was done at the northern end of New Jersey, a free port being established opposite New York, from which goods were smuggled into that city. As a result a large part of the merchandise coming into the United States during the period of the confederation, from 1783 to 1789, was admitted free of any duty, and that which paid

duty was so lightly taxed that the impost had no effect upon the volume of importations. Consequently, it may be said that the United States during the period of the confederation, from 1783 to 1789, had a nearer approach to Free Trade than has been known to the present generation. The effect is told by that well-known and generally accepted historian Hildreth, who says (Vol. III., p. 446) :—

“The large importation of foreign goods subject to little or no duty and sold at low prices was proving ruinous to all those domestic manufactures and mechanical employments which the non-consumption agreements and the war had created and fostered. The country had been flooded with goods, and debts had been unwarily contracted for which there were no means to pay. The importations from Great Britain in 1784 and 1785 had amounted to 30 millions of dollars, while the exports thither had not exceeded 9 millions. . . . The community was fast becoming divided into two embittered factions of creditors and debtors. . . . The excessive importation of foreign goods had drained the country of its specie, and the circulating medium consisted principally of treasury orders on the State tax collectors and depreciated certificates of State and federal debt.”

The result of this experiment with Free Trade was a growing feeling in favour of giving Congress power to create and enforce a tariff, and the conditions above described were among the principal causes which led to the adoption of the Constitution which not only required Congress to establish and enforce tariff laws, but at the same time abolish all tariff lines between the States.

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Those two articles of the Constitution have contributed in no small measure to the industrial success and prosperity of the United States, a success which, it will be admitted, is phenomenal. The Constitution gives to Congress the power to create and enforce such tariff as the conditions of the country require, and it requires that "all duties, imports, and excises shall be uniform throughout the United States." In other words, it prohibits any tariff between the States and permits the products and manufactures of one section to pass freely and uninterruptedly to any other section of the country. This gives an opportunity to build up as high a tariff wall around the outside of the country as may be desired and yet permits an absolutely free interchange among the people of the entire Union. This in a country of the area of the United States, with its diversified climates and soils and its varied productive capacity, has preserved the home market, a market recently characterised by the Hon. O. P. Austin, Chief of the Bureau of Statistics, as "equal in value to the entire international commerce of the world."

The first work of Congress under the new Constitution was to pass a tariff measure which declared in its preamble that "it is necessary for the support of the Government, for the discharge of the debt of the United States, *and for the encouragement and protection of manufactures*, that duties be laid on imported goods." It does not follow, however, that this declaration, coupled with the intention of the

framers of the Act, did in effect make it a sufficiently protective measure to accomplish the desire for the development of manufacturing. The framers of the Act had little experience in economic legislation, and the rates of duty levied were extremely low, as compared with what is now considered Protection by any of the countries which adopt that system for the maintenance of home industries and home markets. It soon became apparent that the rates of the first tariff, although intended to be protective in their operation, were too low, the actual workings of the law showing that the average rates on all importations were only about $7\frac{1}{2}$ *per cent.* The next year another Bill was passed slightly increasing the duties, and in the following years there were more advances, until about 1800 the average rates were about 13 per cent. *ad valorem* on all imports. In 1808 a much more protective tariff was enacted, which placed a duty upon 175 articles and admitted 30 articles free of duty, the average rate of duty on all imports being about $28\frac{1}{2}$ *per cent.* About the same time was passed the famous Embargo Act, prohibiting all imports from England and France, and while it was not intended as a protective measure its effect during the one and a-half years of its existence was, of course, to stimulate greatly home production.

The effect of these protective duties, even at rates which at the present time would be considered low, was strongly marked. Manufacturing developed so rapidly that the census of 1810 showed

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the value of manufactures in the United States to be over £25,000,000, a very large sum in the stage of manufacturing which had been reached, and especially so for a young nation of 7,000,000, in a new country, hampered for capital, with crude and insufficient machinery, and the production of raw materials but little developed. The manufacturing industry had its effect upon agriculture, which was prosperous. Commenting upon the conditions of this period, Adam Seybert, a distinguished member of the House of Representatives, from Pennsylvania, in his well-known and often-quoted work, "Statistical Annals of the United States," published in 1818 and probably written in 1816 and 1817, says:—

"The population of the United States in the twenty years from 1790 to 1810 acquired an augmentation of 84 *per cent.* When an increase so great is accompanied with the happiness of the people, when a moderate share of industry will secure to every individual the comforts and many of the superfluities and banish mendicity, there can no doubt remain of the prosperity of the community. It has been acknowledged in Beaujour's 'Sketch of the United States' (1814) that 'the poorest individual in the United States, even the simple labourer, is there better fed and clothed than in any other country.' The many large cities, towns, and villages that have been established are monuments of the industry of the people.

"Our agriculture has not only furnished an abundance for the inhabitants of the United States, but has in addition contributed an enormous surplus for other nations. In 1791 the exports were valued in the aggregate at \$19,000,000; in 1817 the exports of

domestic merchandise had swelled to the enormous amount of \$61,000,000.

"It is not long since the manufacturers of the United States have gained the public attention; now they are respectable from their number, as well as from the number of persons to whom they have given employment, and in the capital which has been invested. Abroad these establishments have excited the fears of competitors, much anxiety has been exhibited on account of their progress, and the success with which our artists have executed many of the most difficult processes. These workshops have been extensively diffused in our own country, they are numerous on the seaboard, and there are many of them west of the mountains."

A part of the prosperity which Seybert describes was doubtless due to the causes existing between 1812 and 1816. During the war of 1812, the tariff rates were doubled, giving an average rate of about 33 *per cent.*, and this coupled with the small importations during that period and the great demand, of course, stimulated home production and general activity.

But a cloud, only a speck on the horizon when Seybert wrote, soon spread over the country. The prosperity of the manufacturers, which, he says, "has excited the fears of competitors abroad," soon led to a definite plan of attack by the manufacturers of England. The policy of "dumping," of flooding the country with manufactures at low prices, was entered upon with a deliberate purpose, and although the tariffs adopted in 1816 and 1818 were doubtless intended to be protective, their rates ranging about 26 *per cent.* on all imports,

they were insufficient to prevent large imports, which averaged more than £20,000,000 a year up to 1819. During that period there was great distress among the American manufacturers, and a consequent reduction in the demand for agricultural products, and this continued until 1824, when a thoroughly protective Tariff Act was passed.

While the average tariff rates during the period from 1816 to 1824 were higher than those prior to the war of 1812, they were not sufficient to keep out a flood of foreign merchandise, which came with such volume and persistence as to close many of the factories and throw thousands out of employment, so that Henry Clay declares that the values of property fell off one-half and there was general distress. Horace Greeley, the distinguished editor and owner of the *New York Tribune*, says of this period :—

“At the close of the second war with England, peace found the country dotted with factories which had sprung up under the precarious shelter of embargo and war. Those not yet firmly established found themselves suddenly exposed to a relentless and determined foreign competition. Great Britain poured her fabrics far below cost upon our markets in a perfect deluge. Our manufactures went down like grass before the mower, and agriculture and the wages of labour speedily followed. Financial prostration was general, and the presence of debt was universal. In New England, fully one-fourth of the property went through the sheriff's mill, and the prostration was scarcely less general then elsewhere.”

Of this period, George B. Curtiss, an American

writer on tariff questions, whose work was highly commended by the late President McKinley, says ("Progress and Prosperity," p. 577 *et seq.*):—

"Though a protective tariff law, intended as such, had been enacted, yet it was really a Free Trade statute, and brought about a Free Trade period. It matters not how high an import duty may be; if it is not sufficiently high to keep out foreign goods it is not protective. No duty is protective if the foreign manufacturer is willing to pay this duty, sacrificing his own product, and selling his goods cheaper than he can make them, in order to destroy our industries and then step in and control the market. . . . A tariff, however high, is still a low tariff when it will not prevent the importation of manufactures that should be made at home. In 1816, young as were our industries and small as was our population, 70,000 persons were discharged and made idle or driven to the farms. The agriculturist, thereby, not only lost his market, but had to divide his profits, so that his products hardly paid for the marketing."

So it came about that a really protective tariff was enacted by Congress in 1824. It advanced the rates of duty on a large number of articles, bringing the average *ad valorem* duties up to 37 *per cent.* on all imports. This was followed by improved conditions and proved so satisfactory that a still further advance of duties was made in 1828, bringing the average rate on all imports up to about 45 *per cent. ad valorem.* This tariff was characterised by Greeley as "the most protective tariff ever adopted," though this characterisation was made prior to the adoption of the thoroughly protective tariffs of 1890 and 1897, under which

the United States has experienced its greatest prosperity. That there was great prosperity under this high and thoroughly protective tariff of 1824 cannot be doubted. It is generally admitted by all. President Jackson, in his annual message in 1829, said :—

“Our country presents the most cheering evidence of general welfare and progressive improvement. . . . The public prosperity is evinced in increased revenue from the sale of public lands, and in the steady maintenance of that produced from imposts and tonnage. There will have been paid on the public debt, during the present year, the sum of \$12,000,000. This state of the finances exhibits the resources of the nation in an aspect highly flattering to its industry and auspicious of the ability of the Government, in a very short time, to extinguish its debt.”

Lossing, the historian, says of the condition of this period that President Adams on his retirement from office “left to his successor a legacy of unexampled national prosperity, a greatly reduced public debt, and a surplus of more than \$5,000,000 in the treasury.”

Mr. McKinley, discussing the conditions of that time said, during his Congressional life, prior to his election to the Presidency :—

“None of the awful prophecies which had been made by those opposed to the Bill were fulfilled. None of the dire results ensued. The nation was not only not palsied, but quickened into new life. The merchants did not move out of their costly piles of stores and dwelling-houses ; they remained only to acquire larger and finer and more costly ones ; the

poorer classes were not driven to cold water as their only food and drink, but their labour was in greater demand and their wages advanced in price. The entire country under the tariff moved on to higher triumphs in the industrial progress, and to a higher and better destiny for the people."

Henry Clay, the distinguished advocate of Protection, six times Speaker of the House of Representatives, member of the Senate, Secretary of State, and candidate of the Whig party for the Presidency, in a speech delivered in Congress, said :—

"On a general survey we behold cultivation extended, the arts flourishing, the face of the country improved, our people fully and profitably employed, the public confidence exhibiting tranquillity, contentment, and happiness, the public debt of two wars nearly redeemed, and, to crown all, the public treasury overflowing. If a term of seven years were to be selected of the greatest prosperity which this people has enjoyed since the establishment of their present Constitution, it would be exactly that period of seven years which immediately followed the passage of the tariff of 1824."

Curtiss, the historian, adds this testimony ("Protection and Prosperity," p. 586) :—

"The country made wonderful strides during the operation of the protective tariffs of 1824 and 1828. From the ruin and distress of 1820 we had again become a prosperous nation in 1830. The American system was developed and fostered. The home market was becoming year by year of greater proportions. Wages had advanced, and the American labourer was even then enjoying a content unknown elsewhere."

Thus, in little more than the first quarter of a century of national existence the relative merits of Free Trade and Protection had been tested, and the advantages of Protection had been demonstrated.

CHAPTER II.

TARIFF REDUCTION DEMANDED BY THE SOUTH.

THE people of the South, who were selling their cotton, and tobacco, and rice, agricultural products, to Europe, began to fear that if the United States maintained high tariffs against European manufactures, Europe would refuse to buy American agricultural products, and despite the generally prosperous condition of the country, in the South an agitation began for a reduction of the tariff.

As the people of the South were not manufacturers, and had no manufactures to sell in the home market, their sole interest was to prevent conditions which they believed would be hurtful to their market for agricultural products. The existing law was characterised by the South as "the tariff of abominations," and its reduction was demanded, even on the threat that the South would refuse to pay the duties levied under it. While President Jackson, himself a Democrat and a Southern man, quickly silenced this threat, the violent opposition to the law had its effect, and in 1833 a new tariff law was passed, providing that all duties in excess of 20 per cent. should be gradually lowered by removing 10 per cent. of that excess each alternate

year during ten years, and the remainder on the year following, the purpose being by easy stages to bring the tariff rates down to not more than 20 per cent. *ad valorem*.

While a reduction of tariff at this slow rate, a rate which extended the reduction over a full decade, and at the end of that period still left a duty of 20 per cent., would not seem to be such a serious matter, it is a fact that the period of reduction was full of troubles, financial and commercial. And the friends of Protection assert that it was largely due to the existing and prospective tariff conditions. This was not so much from the mere reduction of duties by the slow process described, but by reason of the destruction of the protective features of the Act. Thomas H. Benton, a member of the Senate at the time the Bill was passed, though himself a Democrat and a Southern man, denounced the measure in the most vigorous terms. In his work, "Thirty Years in the Senate," he says (Vol. I., pp. 346 and 347):—

"The Act of 1833 comprises every title necessary to stamp a vicious and reprehensible Act, bad in the matter, foul in the manner, full of abuse, and carried through upon a plea which was an outrage upon representative government and upon the people of the States. . . . The overthrow of the old revenue system that duties were to be levied on luxuries and not on necessities, the substitution of universal *ad valorem* to the exclusion of all specific duties, the abolition of all discrimination upon articles in the determination of duties, the preposterous stipulation against Protection while giving Protection, all these were flagrant

vices of the Bill. . . . The year 1842, that fixed for the completion of the gradual reduction of duties, was to have been the jubilee of all these inventions and set them all off in their career of usefulness, but that year saw all these fine anticipations fail."

While it would not be just to attribute to the tariff of 1833 all of the disasters which came during the decade following its passage, doubtless a part of them was chargeable to it. The first reduction was little felt, but when the second and then the third came, there was a general reduction of revenue, a general reduction of business activity, a great crash financially such as the young country had never known before. While much of this was doubtless due to other causes—unsound banking and finance, rash speculation, and defective business methods—it is a fact that the people were glad to return to a protective tariff at the end of the period fixed for the gradual reduction, and in 1842 a protective tariff was passed, by which the rates of duty were placed as high as 50 *per cent.* and in some cases even 75 *per cent.*, the average rate of duty being about 35 *per cent.* Commenting upon this Act and that which preceded it, Lossing says (p. 477) :—

"By the Act of 1833 duties on foreign goods were to reach the minimum of reduction at the close of 1842, when the tariff would only provide revenue, not protection to manufactures, like that of 1828. The latter object (protection) appeared desirable, and by an Act passed in 1842 high tariffs were imposed on many foreign articles."

That the Act of 1842 was thoroughly protective is generally admitted, and that a period of prosperity existed during most of its operation is also a fact.

"Its effect," says Curtiss ("Protection and Prosperity," p. 593), "was instantaneous. First came confidence. Then the fires were lighted, the wheels began to revolve, and the industries and business of the country improved daily. Not only that, but the Treasury gained relief at once. The customs receipts for the year ending June 30th, 1843, were \$25,234,750, as against \$14,487,216 for the previous year under the compromise tariff. Under the Free Trade tariff, there had been a steady decrease of revenue. Under the protective tariff of 1842, there was a steady increase of revenue. And this, too, in the face of the most decided falling off in certain imports. The committee which framed the Bill of 1842 showed that the balance of trade had been \$200,000,000 against us during seven years. 'All branches of industries are paralysed,' said the report, 'but perhaps the most interesting point made was the difference between our tariff and the tariffs of foreign countries. On our products, valued at £91,000,000 in Europe, duties were levied amounting to \$113,000,000, while on products which were imported, to the amount of \$73,000,000, our duties were only \$17,000,000.'"

Free Trade, or, more properly speaking, low tariff, had been tried and found wanting. A reduction of the rates on imports had been attended with general distress; prosperity had immediately followed in the train of high duties. The protectionists pointed to conditions as vindicating their judgment. The South, which believed that its present and future welfare rested on low

tariffs, found that its wealth did not increase proportionately with a reduction of duties, although it still clung to its belief in the wisdom of imposing the minimum of taxation on imports.

The protectionists of this period, their writers and speakers, sang their songs of victory.

"After four years of real prosperity," says Henry C. Carey, the well-known political economist, "under this tariff of 1842, how great was the change! Labour was everywhere in demand. Planters had large crops, and the domestic market was growing with a rapidity that promised better prices. The produce of the farm was in demand, and prices had risen; the consumption of coal, iron, wool, and cotton, and woollen clothing was immense and rapidly increasing, while prices were falling because of the rapidly improving character of the machinery of production. Production of every kind was immense, and commerce, internal and external, was growing with unaccustomed rapidity."

That conditions during this period were favourable is also shown by an extract from the message of President Polk in 1846, who said :—

"Labour in all of its branches is receiving an ample reward, while education, science, and the arts are rapidly becoming the means of social happiness. The progress of our country, in her career of greatness, not only in the vast extent of her territorial domain and the rapid increase of her population, but in resources and wealth, and in the happy condition of her people, is without an example in the history of nations."

The American people have always been a mutable people and their love of change has shown itself in nothing more striking than their frequent changes in the tariff, often, it would seem, without

any good reason but merely to gratify the whim for something new.

Even while the President was extolling the greatness of the country and the happiness of its people, and protectionists dilated on what Protection had accomplished, the pendulum of popular sentiment swung once again.

In 1846 the most thoroughly Free Trade Act ever passed in the United States was put upon the statute books. It reduced the average rate of duty on all imports to about 23 *per cent.* But this was not its most important feature. It radically changed the entire system of the tariff. Instead of placing protective duties on manufactures and admitting material for manufacturing free, according to the principle of the protective measures, it reduced the duties on manufactures and placed higher rates on raw materials and foodstuffs. Edwin Williams, in an article in *Fisher's National Magazine* for September, 1846, commenting on this tariff, says :—

“While the British Parliament are reducing duties on all articles for the use of their manufacturers, the American Congress have increased the burdens of the manufacturers by additional duties on the raw materials for their use ; at the same time they have reduced the protective duties. Was there ever a parallel case of injustice in the history of legislation in any other country ? ”

This tariff of 1846, popularly known as “the Walker tariff,” because of the fact that it was framed by Robert J. Walker, then Secretary of the

Treasury, was the ideal measure of the free traders, a "revenue tariff," with no attempt at Protection and its duties all laid on the *ad valorem* basis. Daniel Webster, who originally opposed the protective system, but had by this time become a supporter of that doctrine, said of the Bill in a three days' speech opposing it:—

"It is not a Bill for the people or the masses. It is not a Bill to add to the comfort of those in middle life or the poor. It is not a Bill for employment, it is a Bill for the relief of the highest and most luxurious classes of the country, imposing onerous duties on the masses, and taking away the means of living from labour throughout the land."

The effect of this tariff is a matter of dispute between the protectionists and the free traders, even to this day. The free traders point to the great prosperity of the few years immediately subsequent to its passage, and claim that they were the results of the tariff. The protectionists say that the prosperity of that period was due to the discovery of gold in California, which largely increased the wealth of the country; to the building of railroads, which began to develop about that time; to the Mexican War, which created a great demand for home products and a general activity; to the famine in Ireland, and to wars in Europe.

Mr. Walker, the author of this tariff, laid down the following principles as those upon which it was based:—

1. That no more money should be collected than is necessary for the wants of the Government.

2. That no duty should be imposed upon any article above the lowest rate which will yield a just amount of revenue.

3. That below such rate discrimination may be made, descending in the scale of duties, or for imperative reasons the article may be placed upon the free list.

4. That the maximum revenue duty should be imposed upon all luxuries.

5. That all minimum and specific duties should be abolished and *ad valorem* duties substituted in their place.

The Bill arranged all classes of articles into nine groups, to pay, respectively, 100, 40, 30, 25, 20, 15, 10, and 5 per cent. *ad valorem*, with a list of articles on which no duty was to be collected. The 100 *per cent.* class included liquors, brandy, &c.; the 40 *per cent.* class, wines, and luxuries of like character; the 30 *per cent.* class, manufactures of iron, wool, cotton, and glass, sugar, coal, soap, and many other articles.

Its chief characteristics were the abandonment of a protective system which its author denounced as discriminating in favour of the manufacturers and against the agriculturist, the workman and the merchant, and the substitution of *ad valorem* for specific duties.

There was and still is a difference of opinion among protectionists and free traders as to whether the Walker Free Trade tariff was responsible for the conditions which followed it. Certain it is, that

there was prosperity for a term of years, though the fact that the gold production at the rate of £10,000,000 a year soon began, that the war with Mexico caused unusual demands for supplies, and that the demands from abroad for foodstuffs were abnormal because of famine in Ireland and wars, must have had a material effect in stimulating business activity in the United States and producing prosperity. Equally certain it is, however, that by 1854 the prosperity ended and a period of great depression began, continuing until the low tariff was substituted by one thoroughly protective. Importations under the low tariff had been large, and they were of a class produced by home manufacturers, and as a result there was idleness among the manufacturers and their employees. This reduced the home demand for the products of the farm, and the farmer in turn was unable to buy. The *New York Tribune* of January 15th, 1855, says of the conditions then prevailing ("Protection and Prosperity," p. 604):—

"The cry of hard times reaches us from every part of the country. The making of roads is stopped, factories are closed, and houses and ships are no longer being built. Factory hands, road makers, carpenters, bricklayers, and labourers are idle, and paralysis is rapidly embracing every pursuit in the country. The cause of all this stoppage of circulation is to be found in the steady outflow of gold to pay foreign labourers for the cloth, the shoes, the iron, and the other things that could be produced by American labour, but which cannot be so produced under our present revenue system. The convulsion

would have come upon us sooner but for the extraordinary demand in Europe for breadstuffs, growing out of huge famines and big wars, and but for the dazzling and magnificent discovery of gold in California, by which hard money, sufficient to buy an empire, has been called into existence and exported to Europe. If we could stop the import of foreign articles, the gold would cease to flow out to pay for them, and money would then again become more abundant, labour would then again be in demand, shoes, clothing, and other commodities would then again be in demand, and men would then cease to starve in the streets of our towns and cities. If it be not stopped the gold must continue to go abroad, and employment must become from day to day more scarce."

Notwithstanding the depressed conditions, the low tariff party, in control of Congress, in 1857 adopted a new tariff law, making even lower rates on some articles, and this remained in force until 1861, when the Republican party elected its first President, Abraham Lincoln. That conditions were deplorable during a large share of this Free Trade period, from 1846 to 1861, cannot be doubted, and that they existed in the face of the fact that California was pouring out gold at the rate of about £10,000,000 a year is also true. During the period public expenditures exceeded receipts by nearly £10,000,000, imports exceeded exports by more than £80,000,000, and the financial condition of the Government during the closing years of the period was such that it could borrow money only by paying high rates of interest. President Buchanan, in a message to Congress during the

closing years of that period, said that Government obligations could not be negotiated at a rate of less than 12 *per cent.* interest. Within recent years the Government of the United States has placed nearly £100,000,000 of its bonds at 2 *per cent.* That conditions during the period described were serious and were apparently due in some degree at least to the low tariff duties is shown by the following extract from the message of President Buchanan, a Democrat, sent to Congress December 8th, 1857 :—

“We have possessed all the elements of material wealth in rich abundance, and yet, notwithstanding all these advantages, the country in its monetary interests is at the present moment in a deplorable condition. In the midst of unsurpassed plenty in all the products of agriculture and in all the elements of national wealth, we find our manufactures suspended, our public works retarded, our private enterprises of different kinds abandoned, and thousands of labourers thrown out of employment and reduced to want. The revenue of the Government, which is chiefly derived from imports from abroad, has been greatly reduced, whilst the appropriations made by Congress for the current fiscal year are very large.”

In his message sent to Congress in December, 1860, President Buchanan again declared against the low tariff then in existence and adopted by his own party, saying that the financial difficulties of the Government required a revision of its schedules, and he recommended a return to specific duties instead of the *ad valorem* system which had been such a marked feature of the

Walker tariff and its successor then in operation, saying :—

“Specific duties would secure to the American manufacturer the incidental protection to which he is fairly entitled under a revenue tariff, and to this surely no person should object.”

The message from which the above quotations are made, admitting the failure of the ideal Free Trade of Walker and that which followed it, was the last sent to a Congress by a representative of the low tariff party for twenty-five years. In the following year, 1861, a Republican President and Congress came into power, a protective tariff was enacted within a few weeks of the meeting of Congress, and the protective tariff system remained continuously in operation for thirty-three years. A Democratic President was elected in 1884, but his party did not obtain control of both branches of Congress during his term, and therefore no change in the tariff system was made. It was not until the second election of this Democratic President, Cleveland, in 1892, that a Congress in sympathy with his tariff views was also elected, and more than one year of his term had expired before the protective system fathered by the Republican party in 1861, and continued with many modifications during thirty-three years, was repealed and a low tariff measure placed upon the statute books.

CHAPTER III.

PROTECTION BECOMES A REPUBLICAN
DOCTRINE.

WITH the incoming of the Republican party in 1861, Protection became more distinctively a party issue than ever before. The chief support for Protection had been found in the Whig party prior to the organization and success of the Republican party, and the Democratic party had been looked upon as supporting low tariff, but lines were never so sharply drawn before as after the incoming of the Republicans. When the Republicans found themselves in control of the Congress and the presidency in 1861, and the necessity existed for raising large sums of money to carry on the Civil War just beginning, they naturally turned to the tariff and increased the rates; they made them so high, in fact, that there could be no doubt of their "protective" character. The platform upon which they gained their first national victory declared for Protection in the following words:—

"That while providing revenue for the support of the general government by duties from imports, sound policy requires such an adjustment of these duties as to encourage the development of the industrial interests of the country; and we commend the policy of the National Exchange which secures to the working men

liberal wages, to agriculture remunerative prices, to mechanics and manufacturers an adequate reward for their skill, labour, and enterprise, and to the nation commercial prosperity and independence."

The first tariff Act passed by the Republicans largely increased duties, and was followed by sundry other increases from time to time during the four years of war which followed, which heavily taxed the revenues. As a result of this demand for funds, the tariff legislation during the war period was necessarily crude and unscientific so far as the question of Protection pure and simple was concerned. Act after Act was passed as the demands of the war grew, and the demands of the manufacturers for more and more protection were generally complied with when not absolutely unreasonable. Edward Stanwood, a recent writer on the history of tariff of the United States, says in his work "American Tariff Controversies" (Vol. II., page 129):

"The extreme character of these tariffs may be judged by the fact that the tariff adopted in 1864 made the duty on wool from 3 to 10 cents per pound, and woollen goods, a 'compound duty,' partly specific and partly *ad valorem*, of 24 cents per pound and 40 *per cent. ad valorem*. On beer the rate was 35 cents per gallon; on brandy, \$2.50 per gallon; and on refined sugar, 5 cents per pound. In the Bill passed in the following year the compound duty system was applied to cotton goods, the rate on the cheapest calicoes being 6½ cents per yard and 10 *per cent. ad valorem*. In this Bill the rate on rails for railways was advanced to \$22.40 per ton, and this high rate is looked upon by protectionists as the beginning of the very successful steel rail industry in the United States, and the generally high rates fixed

on articles of this class as the basis of the phenomenal success which has attended the iron and steel industry in this country ever since that date."

How much these extremely high tariffs were responsible for the great prosperity and business and manufacturing activity which followed it is, of course, impossible to say. The check upon imports and commerce generally due to the war, the withdrawal of large numbers of men from industrial operations, fluctuations in currency, the great energy required to furnish the materials of war, foodstuffs and clothing for the large armies in the field, and the fact that the Government was a heavy purchaser of all these articles at high prices, made manufacturing and commerce extremely active and profitable, and it would not be fair to say that the tariff was, of itself, the cause of any definite share of the conditions that existed from 1861 to 1865. Following the close of the war it was necessary to maintain high rates of taxation to produce funds to meet the interest upon and reduce the principal of the enormous public debt created during the war, and consequently the high tariff was maintained, the Republican party, the party of Protection, being still in power.

From 1865 to 1870 it was possible to determine in some degree the effect of the tariff upon industries under normal conditions, and this gave a favourable view of the results, so much so that there was no disposition seriously to reduce the general tariff rates. The census of 1870 showed

that the value of the products of manufacturing had grown from £377,000,000 in 1860 to £846,000,000 in 1870. When it is remembered that during a decade of Protection, of which one-half was spent in war, with a large part of the country absolutely devastated, the value of manufactures had grown more than in the entire seventy years under the irregular tariffs preceding 1860, the advocates of protection claimed it was a great triumph for their system. The wealth of the country, as represented by the census, had increased from £3,200,000,000 in 1860 to £6,000,000,000 in 1870, despite the great destruction during the war.

The fact that revenues were redundant and the rates of tariff taxation high upon many articles which were not produced in the United States and therefore were non-competitive, led to a material revision of the tariff in 1870 and again in 1872, a large number of articles of a non-competitive character being put on the free list. From 1861 to 1872 about 5 *per cent.* of the total importations came in free of duty. After 1872 about 25 *per cent.* were admitted free of duty, but they were non-competing articles. In 1875 occurred another revision and after that date about 33 *per cent.* of the importations were free of duty. Among the articles relieved of tariff duties were tea and coffee, the principle of the protectionists being to remove all taxation from articles which did not compete with domestic production, especially those which were required by the masses, and to maintain high duties on articles

competing with home production and manufacture. In 1880 the census showed the value of manufactures in the United States to be £1,073,800,000 and the wealth £8,400,000,000. One feature of the Tariff Act of 1870 may be briefly mentioned in passing. It placed a duty of \$28 (£5 12s.) per ton on steel rails, with the fixed purpose of developing the home industry. In the year before the passage of the Bill placing this high duty on steel rails, the number of tons produced in the United States was 8,616. By 1875 the manufacture had developed to 259,699 tons; by 1881, it was 1,210,285 tons, and in 1883 the duty was reduced to \$17 per ton, and in 1890 to \$13 per ton. From \$106 a ton in 1870 the price, through domestic competition, fell to \$28 a ton in 1902.

In 1883 another revision of the tariff was made by the Republicans, in part for the purpose of reducing the revenues and in part in recognition of the demand of the opposition party for a reduction of duties on certain articles. The rates of duty were reduced on cotton and woollen goods, on raw wool, on some manufactures of iron and steel, and a limited number of agricultural products. It was claimed that the rates on wool and woollens were reduced below the point of safe protection, and that as a result the sheep industry suffered. Certain it is that the number of sheep in the country fell off several millions in the few years following this Act.

In 1884 the Democrats, after having been out of

power since 1860, regained the presidency by the election of Grover Cleveland. Space will not permit a detailed examination of the causes that led to this political reversal, but it is admitted that a growing feeling in favour of "tariff reform," that is, a reduction of duties that were regarded as oppressive and unjust, and in the interest of manufacturers as opposed to the best interests of the people at large, was one of the most potent influences in breaking nearly a quarter of a century of Republican rule. But although Mr. Cleveland was elected his election did not carry with it the control of both Houses of Congress, as under the American parliamentary system a Bill must receive the assent of both Houses of Congress to become a law. The American President has no power to initiate legislation ; he can act merely in an advisory and recommendatory capacity. Mr. Cleveland strongly urged upon Congress the passage of a low tariff Bill, and although a Bill was introduced in response to his recommendation it did not become a law, and Mr. Cleveland's term ended with a protective tariff law on the statute books.

From 1884 to the second election of Mr. McKinley in 1900 electoral campaigns were fought with the tariff subordinating every other issue. Mr. Cleveland was defeated at the next election, the tariff being the leading question, and Mr. Harrison, a Republican, succeeded him. Mr. Harrison took his seat in 1889, and the following year the famous McKinley Bill became a law.

Although the country had set the stamp of its disapproval on Free Trade, the Republicans could not ignore the growing demand for tariff reform, which they recognised by pledging themselves to revise the tariff if entrusted with the government. Mr. McKinley's Bill, which was entitled "A Bill to reduce the revenue and equalise duties on imports," was a bitter disappointment alike to free traders and tariff revisionists. It is true that it made several additions to the free list and removed the duty on raw sugar, but its general tendency was to increase duties and to make the average *ad valorem* rate as high as had ever been imposed. The Bill increased the duties on wool and woollens, placed a high duty on tin-plate to foster the tin-plate industry in the United States: imposed equally high duties on farm products to prevent the importation of agricultural products from Canada and elsewhere; reduced the duty on binding twine for the benefit of the farmers using it with their self-binding reapers; levied a high duty on pearl buttons to aid in building up a pearl button industry in the United States; removed the duty on raw sugar, and authorised the payment of a bounty on sugar produced in the United States, and was, in fact, in the words of one of its admirers, "the most thoroughly scientific measure of Protection ever passed up to that time." Under it the tin-plate industry and the pearl button industry were established and manufacturing generally was prosperous.

Protectionists hailed the Bill as a triumph for their principles and the embodiment of all fiscal wisdom, but the country was not so enthusiastic ; in fact, it was angry and longed for an opportunity to display its resentment. It found it in 1892, when it swept the Republicans out of power (it had already defeated Mr. McKinley when he offered himself for re-election to Congress), and for the second time Mr. Cleveland sat in the White House, while, to make the triumph complete, there was a Democratic majority in both Houses of Congress. This was the first time in thirty-two years that the Democratic party had a free hand to bring the tariff back to Free Trade principles. But, strangely, it found that there had grown up within itself a strong Protectionist sentiment. While the party had in its National Conventions usually declared for a "revenue tariff," these declarations were in many cases coupled with a reservation that the revenue duty should be so adjusted as to give "incidental Protection." Almost imperceptibly there had grown up among the members of the party a Protection sentiment, due, doubtless, in some degree to the influence of the manufacturing industries upon the leaders in their respective sections of the country. When an attempt was made to enact a low tariff the party was divided within itself, and so seriously divided that, despite the resolute low tariff views of the vigorous President, he was unable to carry his plan through Congress without great modification. Nearly a

year and a-half of his administration passed before the measure introduced in Congress shortly after his inauguration became a law, and it emerged from its final vote in such unrecognizable condition that President Cleveland refused to be responsible for it by affixing his signature to the Act, and allowed it to become a law without his approval.

In the revised and re-revised form in which it finally became a law, it was not by any means so radical a "Free Trade" measure as had been expected, and not, of itself, capable of so seriously affecting the manufacturing interests as had been feared. But much of the harm had already been done. For nearly two years, from the date of the election of Cleveland in November, 1892, to the passage of the Act in August, 1894, the business men of the country had waited in uncertainty, unable to determine what changes would be made in tariff rates and prices of foreign commodities, and this uncertainty, coupled with grave financial complications, due to the fear of continued silver inflation and the country going on a silver basis, led to general business depression even before the Tariff Bill became a law. Following its final enactment there was further depression and suspension of work among those manufacturers seriously affected, and the result was the great commercial stagnation from 1893 to 1896. In those years a large number of factories were closed, hundreds of thousands of men were thrown out of employment, business failures were numerous, many railroads

went into the hands of receivers, gold was hoarded, and the money in circulation fell to an unusually low total. Prices of farm products were low, wages were low, employment was scarce, and suffering and hunger were common. "Armies" of the unemployed paraded from city to city, and one of the largest marched from far in the interior to Washington and drew up in front of the Capitol, where Congress was in session, demanding the adoption of measures for the relief of labour.

It was not surprising, therefore, that in the next presidential election the Republican party was returned to power. The protectionists asserted that much of the depression and losses and suffering was directly chargeable to the low tariff and injurious foreign competition; that the fear of an even more radical tariff and the long period of uncertainty and general dislocation of business were equally potent causes in destroying public confidence and injuring credit. But the truth of history compels the conclusion, always maintained by Democratic free traders, that they were made vicarious victims of Republican folly. Much of the distress of that time was undoubtedly due to vicious financial legislation, to the constant dilution of the currency with silver, which menaced the power of the Government to maintain the parity between gold and silver and threatened the country being forced to a silver basis. Silver coinage was Republican legislation; the Republicans were responsible for it and kept it on the statute books,

and they resisted its repeal. That finally it was repealed was due solely to the courage and tenacity and wisdom of President Cleveland. To accomplish this he was forced to fight his own party as well as his political opponents, but he never swerved, in the end he won, and earned the gratitude of men intelligent enough to be able to appreciate his great services.

But it is idle to attempt a too minute analysis of national psychology as manifested at a general election. The country was in no mood to weigh causes in a delicate balance or to apportion with exact and discriminating justice the proper meed of responsibility. Mr. McKinley had been nominated by the Republicans, Mr. McKinley's name was the very synonym of a protective tariff, and the Republicans promised the electorate that if they were successful peace and plenty would once more come upon the land. Mr. McKinley was elected in November, 1896, and his election was immediately accepted as an assurance that the breaches in the ramparts of Protection would be repaired and the walls would be made so high that they would be invulnerable to assault. The fear of silver no longer existed. Heeding the lesson taught them by Mr. Cleveland, the Republicans stood irrevocably committed to the gold standard.

With Mr. McKinley Protection was more than a belief, it was almost an immanent conviction. A new tariff law, he held, was vital, and if a thing

were to be done the sooner it was done the better. A few days after his inauguration the new President called Congress together in extra session, and in July, 1897, the "Dingley Act," the existing tariff law of the United States, was placed on the statute books. It was a radically protective measure, the only tariff law since the first one enacted in 1789 that had declared itself as having for one of its objects the encouragement of manufacturing. Its title was "An Act to provide revenue for the Government, and encourage the industries of the United States."

This Act was essentially protective. Raw sugar, which had been put on the free list under the McKinley tariff, and had been made dutiable by the Democratic tariff of 1894, was also made dutiable by the Dingley Act, but apart from this, the free list was not materially reduced as compared with the McKinley Act, but was somewhat increased. Under the Dingley law about 44 *per cent.* of the imports came in free of duty. In the calendar year 1903 the value of merchandise imported free of duty was £85,400,000, and of merchandise subject to duty £111,600,000. Of the free imports over £60,000,000 represent the value of materials for use in manufacturing, and nearly £21,000,000 foodstuffs. Of the dutiable imports, £57,000,000 were manufactures and luxuries, £17,600,000 partly manufactured articles for use in manufacturing, £21,200,000 foodstuffs, and £15,800,000 manufacturers' materials.

During the period in which the Dingley tariff law has been in existence the prosperity of the United States has been very great, probably greater than in any preceding period, and the exportation of manufactures has begun to be an important feature in the industries and commerce of the country. Exports of manufactures, which in 1896 were £45,600,000, were in 1903 £86,600,000, and have continued about £80,000,000 since that time, despite the unusual home demand due to general prosperity. The money in circulation has increased more than 50 per cent. since 1896, and the deposits in the banks of the country have doubled. The census of 1900 showed the value of the manufactures of the country to be £2,600,000,000, or more than twice as much as in 1880, and the wealth of the country £18,800,000,000, also twice as much as that of 1880.

This prosperity protectionists ascribe solely to the beneficent effect of the high protection secured by the Dingley Act ; to the preservation of the home market from foreign invasion, and the consequent steady employment at high wages of American labour. Free Traders do not deny the existence of prosperity—it is so palpably obvious that its denial is impossible—but they contend that the high tariff has enabled manufacturers to charge excessive prices for commodities, and thus lay an oppressive burden upon the country.

CHAPTER IV.

THE PHILOSOPHY OF PROTECTION.

THE philosophy of Protection, the objects sought to be attained by protecting and fostering American industries, and the underlying motives that animated the fathers of Protection in America can be briefly stated in three sentences.

First: The full development of the industrial resources of the country through an interchange of its natural products for manufactures produced by its own workmen ;

Second: The greatest good to the greatest number by providing means of employment for all classes engaged in gainful occupations ;

Third: To establish a standard of living and wages that should enable the labourer to receive proper remuneration and protect him from the competition of lower paid foreign labour.

This philosophy, therefore, was based on economic as well as humanitarian motives ; and the more closely one examines the writings of the early protectionists the more sensibly one is impressed with the conviction that they had a definite purpose in view, and love of humanity influenced them no less than a desire to evolve an economic system that should enable a new, untried, and sparsely-

populated country to compete with countries rich in all that they were poor in. Theirs was no chance system, the offspring of greed and ignorance. Intuitively or instinctively they knew that national happiness and national strength cannot exist when the masses are in hopeless poverty ; when the few are prosperous and the many are poor. Whatever the consequences of Protection may be to-day—and those results are still a matter of opinion—in fostering monopoly or creating disproportionate wealth, certain it is that the idea of helping a favoured few, or setting up an aristocracy of wealth, was not in the minds of the originators of Protection. If as a result of Protection the multitude was prosperous, many men were made rich, and a few became possessed of great wealth, that was inevitable and not to be deplored, because prosperity rested on the solid foundation of the welfare of the multitude.

The purpose of Protection, as an acknowledged authority on the subject has pointed out, is an endeavour to keep society dynamic and progressive and to prevent it from becoming static. Protection, Patten says, “ceases to be an isolated exception to the general passive policy which it has been popular to advocate, and becomes a part of the fixed national policy to increase the value of labour with the increase of productive power, and to aid in the spread of knowledge and skill and an adjustment of its people to its environments.” Protection, therefore, does for the individual what

the individual is incapable of doing for himself unaided, not for the benefit of the individual but for the good of the mass, in which the individual, of course, shares.

Given a great country with great variety of soil and climate, and such wealth of mines and forests that within its boundaries are produced most of the requirements of man, and to this add a population large enough to furnish the necessary labour to convert those products into a condition for man's use, the supporters of Protection urge that manufacturing may be, by their plan of operation, developed to its highest stage and through the interchange of manufactures for the products of the field and forest and mine, create a great international market which shall so diversify industry as to give full and varied employment to its great population. By this plan, it is urged, the faculties of the individual may be more highly advanced through the opportunity afforded to adapt himself to such employment and industry as is best fitted to his tastes and abilities, and the producing power of the nation is increased.

This was the theory upon which the early protectionists, from the time of Alexander Hamilton, who has been termed the "father of Protection," have based their argument and their work in behalf of that doctrine and of diversified industries in the United States. In a word, it may be said that the theory of Protection is the highest development of man—of the citizen—and the

combination of the several tastes and talents to be found among a great mass of people in such manner that the interchange of their products shall supply their common wants and offer to the markets of the world a surplus which their industry and skill, stimulated through domestic competition, creates. Whether this theory has been sustained each must judge for himself, but it is an undoubted fact, a fact admitted by all, that under the system thus developed there has grown up the greatest manufacturing industry that the world has known, and simultaneously, and as a part of it, the greatest industry in agriculture, in mining, and in international transportation which the world affords to-day

The agricultural products of the United States exceed those of any other country ; its mines and mining industries are the greatest of the world and the most highly developed ; its manufactures which, according to Michael G. Mulhall, were in 1860 less than those of Germany, France, or the United Kingdom, were, according to the same authority, in 1894 more than those of any two of the nations named, and it may be safely said that they now exceed in value those of the three nations combined. In 1860 Mr. Mulhall estimated the value of the manufactures of the United States to be £381,400,000 ; those of Germany £399,000,000 ; France £418,400,000 ; and those of the United Kingdom £561,000,000. In 1888 he again estimated the value of the manufactures of the four

countries, putting those of the United States at £1,404,400,000; Germany £567,400,000; France £472,000,000, and the United Kingdom £798,000,000. Thus, in the short period from 1860 to 1888, a period of continuous Protection in the United States, the United States, according to this authority, advanced from the foot to the head of the list of the world's great manufacturing nations. In 1894 he again estimated the value of the manufactures of the four nations, giving the United States £1,899,600,000; Germany £671,400,000; France £580,000,000, and the United Kingdom £852,600,000. Thus, according to Mulhall, the manufactures of France from 1860 to 1894 increased a little over 40 per cent. in value; those of the United Kingdom slightly in excess of 50 per cent.; those of Germany about 70 per cent., and those of the United States nearly 400 per cent.

Taking the official figures of manufactures in the United States which are collected by the decennial census, the gross value of the manufactures was put by the census of 1850 at £203,800,000 in round terms; in 1860 at £377,000,000; in 1870 at £846,400,000; in 1880 at £1,073,800,000; in 1890 at £1,874,400,000, and in 1900 at £2,607,800,000.

Another factor in the industrial development of the people of the United States is found in the absolute freedom of interchange among its people. While a high tariff wall, the highest which the world knows, is erected at its border for the

admitted purpose of excluding, or at least discouraging, competitive manufactures or products, the most perfect freedom of interchange exists between the States and between the great climatic and productive sections. Thus, the cotton of the South passes freely to the manufacturing centres of New England, whose manufactures are sold in the producing regions of the South ; the agricultural products of the Mississippi valley are freely exchanged for the manufactures of the East ; the iron and copper of the lake region are sent to the manufacturing sections and there exchanged for manufactures and coal and other commodities. The wool and the products of the soil of the country west of the Mississippi find a market North as well as South ; the fruits and grain and minerals of the Pacific coast make their way into every section of the land and are exchanged for the manufactures, the foodstuffs and even for considerable quantities of manufacturers' materials which are now being utilised by the newly developed manufacturing industries of the Pacific coast. Coincident with this great interchange have steadily grown up new manufacturing industries in all parts of the country. The development of coal mines in the South in the immediate vicinity of the cotton fields suggested the wisdom of manufacturing where the raw material and the power could be brought together with the minimum of transportation. In western Pennsylvania, Ohio, and Illinois the proximity of coal and iron created great iron

manufacturing industries ; still further west and north the abundant supply of coal and timber lying side by side make possible the development of industries for the production of agricultural implements, furniture and lumber, and on the Pacific coast various manufacturing industries are now being developed with great success, the power being in part supplied by electricity generated in the mountain streams scores of miles distant from the factory, and by the use of petroleum, which is found in abundance, as a substitute for coal.

This theory of Protection, the stimulation of all classes of domestic industries and the development of man to his highest stage of production through interchange, has been that proclaimed by the supporters of the protective doctrine from the earliest period down to the present time. While the first Tariff Act declared in its preamble, as one of its principles, "the encouragement and protection of manufactures," the theory of Protection was first distinctly and definitely started by Alexander Hamilton, the first Secretary of the Treasury, who, in 1790, was directed by Congress to "prepare and report to this House a proper plan or plans conformable to the recommendations of the President of the United States in his speech to both Houses of Congress for the encouragement and promotion of such manufactories as will tend to render the United States independent of other nations." In that report, which is still regarded by protectionists as an unanswerable presentation of the theory of

Protection, Hamilton, after calling attention to the rapid extension of settlement in the United States and the uncertainty of relying upon foreign markets for the surplus of agricultural products, says :—

“To secure such a market there is no other expedient than to promote manufacturing establishments. This idea of an extensive domestic market for the surplus produce of the soil is of the first consequence. It is of all things that which most effectually conduces to a flourishing state of agriculture. By their tendency to secure a more certain market for the surplus produce of the soil they would at the same time cause lands which were under cultivation to be better improved and more attractive. And while by their influence the condition of each individual farmer would be ameliorated, the total mass of agricultural production would probably be increased. The multiplication of manufactories not only furnishes the market for those articles which have been accustomed to be produced in abundance in the country, but it likewise creates a demand for such as were either unknown or produced in considerably small quantities. The bowels as well as the surface of the earth are to be ransacked for articles which were before neglected.”

This theory of Hamilton, proclaimed more than a century ago, has, according to the belief of the supporters of Protection, been thoroughly justified by the experience of the century, and especially of the forty years since Protection became practically a permanent part of the economic system of the country. The value of manufactures during the sixty years from 1800 to the date at which Protection was definitely adopted had grown to only £377,000,000 ; in the forty years from 1860 to 1900 it grew to £2,607,800,000. In proof that he

was justified in the belief that agriculture would be rapidly developed under Protection, protectionists point to the fact that the value of farms and farm property, which had reached only £1,600,000,000 in 1860 was, in 1900, forty years later, £4,000,000,000. In proof that his prediction that the "bowels of the earth as well as the surface of the earth" would be "ransacked for articles which were before neglected" was justified, they refer to the pig-iron production of the United States, which from 821,000 tons in 1860 increased to 18,000,000 tons in 1903 ; to the fact that in 1860 the copper production was 7,500 tons, and in 1902 286,000,000 tons, and that the coal production had increased from 8,513 tons in 1860 to 265,000,000 tons in 1902, or more than the coal production of any other country, while pig-iron and copper also exceeded that of any other country.

Another distinguished advocate of Protection, Henry Clay, in an address in the House of Representatives, in 1824, thus stated the philosophy of Protection :—

"The greatest want of civilised society is a market for the sale and exchange of the surplus of the produce of its members. This market may exist at home or abroad, or both ; it must exist somewhere if society prospers ; and wherever it does exist it should be competent to the absorption of the entire surplus of production. It is most desirable that there should be both a home and foreign market. But with respect to their relative superiority I cannot entertain a doubt. The home market is first in order and paramount in importance.

"Our agricultural is our greatest interest. We have seen that an exclusive dependence upon a foreign market must lead to still severer distress, to impoverishment, to ruin. We must then change somewhat our course. We must give a new direction to some portion of our industry. We must speedily adopt a general American policy. Still cherishing the foreign market, let us create a home market to give further scope to the consumption of the produce of American industry. Let us counteract the policy of foreigners and withdraw the support which we now give to their industry and stimulate that of our own country.

"The creation of a home market is not only necessary to procure for our agriculture a just reward of its labours, but it is indispensable to obtain a supply of our necessary wants. It is in vain to tantalise us with the greater cheapness of foreign fabrics ; there must be the ability to purchase if an article is to be obtained whatever may be the price at which it is sold. The superiority of the home market results, first, from its steadiness and comparative certainty at all times ; secondly, from the certainty of reciprocal interest ; thirdly, from its greater security, and, lastly, from an ultimate and not distant augmentation of consumption from increased quantity and reduced prices."

A vital and fundamental difference between the American protectionist and the American free trader has been until the last few years a difference of opinion as to the relative merits of the home and foreign market. "The home market is first in order and paramount in importance," says Clay, and that was the feeling of every protectionist who remained indifferent to an export trade in manufactures so long as the home market was protected from foreign competition. The free trader, on the

other hand, always appreciated the value of the foreign market and held that it would be to the material advantage of the United States to surrender a fraction of the home market for the sake of gaining the foreign market. "If we trade only among ourselves," was the homely illustration used by a stump orator, "it is like a couple of boys trading jack-knives. What we want are the jack-knives of England and France and Germany."

During the last five years the American protectionist has become as keen to possess the foreign market as the free trader, but this desire has not changed his belief in the wisdom of Protection. He still adheres to this conviction that the home market must be preserved for the home manufacturer, and that by retaining the home market he can better compete with the foreigner on his own ground, the reasons for which are more fully explained in subsequent chapters. The free trader always retorted that foreign nations would not buy from America unless America bought from them, to which the protectionist points to the increase of exports of manufactures under the high tariff rates of the Dingley law as a fact which can afford to defy all the theories of Free Trade doctrinaires.

Daniel Webster, one of the foremost American statesmen, a member of the House of Representatives, a member of the United States Senate, and twice Secretary of State, was originally an opponent of Protection, but in 1828 he supported the views expressed by Mr. Clay, and from that time

forward was an earnest advocate of Protection. In a speech made in the Senate in 1846 he said:—

“The interest of every labouring community requires diversity of occupations, pursuits and objects of industry. The more that diversity is multiplied or extended the better. To diversify employment is to increase employment and enhance wages. And, Sir, take this great truth; place it on the title page of every book of political economy intended for the use of the Government; put it in every farmer’s almanac; let it be the heading of the column of every mechanic’s magazine; proclaim it everywhere and make it a proverb—that where there is work for the hands of man there will be work for the teeth; where there is employment there will be bread. It is a great blessing to the poor to have cheap food, but greater than that, prior to that, and of still greater value is the blessing of being able to buy food by honest and respectable employment. Employment feeds and clothes, and instructs. Employment gives health, sobriety and morals. Constant employment and well paid labour produce, in a country like ours, general prosperity, contentment and cheerfulness.”

The exponents of Protection, especially those of half a century ago, when the country rapidly veered from high to low tariff and appeared to have no settled economic convictions, always felt it necessary to dwell upon the importance of diversified industries and the folly of the United States being dependent upon foreign countries for its manufactures.

“A nation which would be prosperous,” Horace Greeley said in an address delivered in New York in 1843, “must prosecute various branches of industry and supply its vital wants mostly by the labour of its

own hands. Second, there is a natural tendency in a comparatively new country to become and continue an exporter of grain and other raw staples, and an importer of manufactures. Third, it is injurious to the new country to thus continue dependent for its supplies of clothing and manufactured fabrics on the old country. Fourth, that equilibrium between agriculture, manufactures, and commerce which we need, can only be maintained by means of protective duties. Fifth, protection is necessary and proper as well to create a beneficent adjustment of our national industry."

In the same address Mr. Greeley advanced an opinion that of recent years has been relied upon by protectionists as one of the chief virtues of Protection. "I am equally confident," said Mr. Greeley, "that the shutting out of foreign competition from our markets for their articles of general necessity and liberal consumption which can be made here with as little labour as anywhere, would be followed by a corresponding result—a reduction of the price to the consumer at the same time with increased employment and reward to our producing sections." The tariff, protectionists say, reduces prices to the consumer through competition. I deal with that phase of the subject more in detail in another chapter.

The nearer we come to the present day the greater the insistence of protectionists upon the effect of Protection in reducing the cost of all commodities to the consumer. In his "Twenty Years of Congress" (published in 1884 and 1886), James G. Blaine, who was the unsuccessful

Republican candidate for the presidency when Mr. Cleveland was elected for the first time, says :—

“The essential question which has grown up between political parties in the United States respecting our foreign trade, is whether the duty should be laid upon any import for the direct object to protect and encourage the manufacture of the same article at home. . . . The Protectionist starts with the proposition that whatever is manufactured at home gives work and wages to our own people, and that if the duty is even put so high as to prohibit the import of the foreign article, the competition of home producers will, according to the doctrine of Mr. Hamilton, rapidly reduce the price to the consumer. He (the Protectionist) gives numerous illustrations of articles which, under the influence of home competition, have fallen in price below the price at which the foreign article was furnished when there was no Protection ; that the reduction was made to compete with the American product, and that the former price would probably have been maintained so long as the importer had the monopoly of our market. Thus our protective tariff reduced the price in both countries. This has notably been the case with steel rails, the production of which in America has reached a magnitude surpassing that of England. Meanwhile rails have largely fallen in price to the consumer ; the home manufacturer has disbursed countless millions of money among labourers, and has added largely to our industrial independence and to the wealth of the world. . . . Protection in the perfection of its design does not invite competition from abroad, but is based on the contrary principle that competition at home will always prevent monopoly on the part of the capitalist, assure good wages to the labourer, and defend the consumer against the evils of extortion.”

The late President McKinley, whose ardent and consistent advocacy of Protection was largely

responsible for his great reputation and popularity with the people of his country, in an introduction to a work entitled "Protection and Reciprocity Illustrated," written in 1892, stated the purposes of Protection as contrasted with low or revenue tariffs, in this language :—

"The revenue tariff accomplishes but a single purpose—that of raising revenue ; it has no other mission, while a protective tariff accomplishes this and more : it brings revenue to the American treasury and discriminates in favour of the American citizen. The revenue tariff invites the product of foreign labour and foreign capital to occupy our market free from any restriction, in competition with our own labour and capital. The protective tariff invites the foreign labour and foreign capital which are necessary to the wants of the people and which we cannot produce in the United States to occupy our markets and go untaxed to the people, but insists that every foreign product, the like of which is produced at home or can be produced successfully in quantities capable of supplying the domestic consumption, shall, whenever necessary to maintain suitable rewards to our labour, bear a duty which shall not be so high as to prohibit importations, but at such a rate as will produce the necessary revenues and at the same time not destroy but encourage American production."

In an address at Atlanta, Georgia, in 1888, Mr. McKinley said :—

"The chief obstruction in the way of a revenue (low) tariff is the wages paid American workmen, and any return to that policy involves a reduction of the cost of labour. We cannot afford to have cheap labour in the United States. Cheap labour means cheap men and dear money. . . . Few men before me but have found in the course of their lives that that

which was cheapest, when measured by the mere price, was dearest when they were without money or employment or when their products could find no market, or, finding it, commanded no price commensurate with the labour required to produce them. Primarily it is labour that is interested most in this question of Protection. The man with money can seek other avenues of profit or investment, or wait for his dividends, but the labourer cannot wait for his dinner, and the United States do not want citizens who make Presidents, Senators and Representatives, to be in a condition of dependence and destitution."

The supporters of Mr. McKinley's theory of Protection and of the amelioration of labour and the prosperity of the masses through Protection, base their argument on the historical fact that under Protection labour was prosperous, wages high and employment easy to procure; that during the period of low tariff, from 1894 to Mr. McKinley's election as President in 1897, wages were low, employment scarce, destitution and want prevalent among the labouring classes, and a general depression existed throughout the country; following the re-enactment of the protective tariff, immediately after the inauguration of President McKinley, manufacturing activities were resumed, wages again advanced, employment of labour was general, and prosperity has continued throughout the United States down to the present time.

The present tariff law of the United States is known as the Dingley Tariff Act by reason of the fact that Mr. Dingley, a member of Congress from Maine, was chairman of the committee which

framed the Act and its most active and ardent advocate in the House of Representatives. In his speech in support of the Act Mr. Dingley defined the protective system in brief terms as follows :—

“ Our problem is to provide adequate revenues from duties on imports to carry on the Government, and in imposing duties to secure this result to so adjust them as to secure to our own people the production and manufacture of such articles as we can produce or make for ourselves without natural disadvantages, and thus provide more abundant opportunities for our labour. For rest assured that no economic policy will prove a success unless it shall in some manner contribute to opening up employment to the masses of our people at good wages. When this shall be accomplished, and thus the purchasing power of the masses is restored, then and not until then will prices cease to feel the depressing effect of under-consumption and the prosperity of our people rise to the standard of 1892. The secret of the prosperity of the United States up to 1893 was the fact that our people were at work at good wages and thus had large purchasing power. It was this large consuming and purchasing power that made our markets the best in the world—that maintained prices. By our tariff rates, in short, we made this country the envy and admiration of the world.”

The Tariff Act which Mr. Dingley framed and supported in the address above alluded to, is the highest protective tariff the United States has ever known, and was the first Tariff Act subsequent to that of 1789 which specifically stated as one of its purposes “ to encourage the industries of the United States.” In support of the arguments which Mr. Dingley advanced when his Bill was under consideration, protectionists cite the production of

pig-iron, that barometer of business conditions, which increased from 8,623,000 tons in 1896, the year preceding the enactment of the Dingley law, to 18,000,000 tons in 1903 ; that coal production, another measure of business and manufacturing activity, increased from 171,416,000 tons in 1896 to 269,081,000 tons in 1902 ; that copper production grew from 205,384,000 tons in 1896 to 294,423,000 in 1902 ; the value of farm animals from £345,600,000 in 1896 to £597,800,000 in 1902 ; exports of manufactures from the United States increased from £45,714,200 in 1896 to £81,505,200 in 1903, and the total exports of all classes of merchandise from £174,640,000 in 1896 to £278,446,000 in 1903.

Commenting upon the growth of prosperity in the United States since 1870, a period of almost continuous Protection, Mr. O. P. Austin, Chief of the Bureau of Statistics, said in a recent address before the New York Chamber of Commerce :—

“ The market of our own country, the home market in which you can transport your goods from the door of the factory to the door of the consumer without breaking bulk a second time, is equal to the entire international commerce of the world. Not only is this true, that our home market is equal to that offered by the international commerce of the world, but it is evidently growing far more rapidly than international commerce, for the internal commerce of the United States has grown from £1,400,000,000 in 1870 to £4,400,000,000 in 1903, while the international commerce has grown from £2,200,000,000 in 1870 to £4,400,000,000 in 1903. Or in other words, while the international commerce of the world is now twice as great as in 1870, the internal commerce of the

United States is now three times as great as in that year and equals the entire commerce between all nations."

In this and the preceding chapters we have considered the origin and deeply rooted growth of the protective system in America, and the philosophy of Protection has been explained in the words of the men who created the school. We shall now see the fruits of that philosophy.

CHAPTER V.

LABOUR AND WAGES.

ACCORDING to the theory of Protection, Protection, in so far as wages are concerned, is both cause and effect. The effect of Protection is to increase wages, and the increase of wages, that is, the higher scale of wages resulting as the effect of Protection, increases the wealth of the country, puts into circulation a larger volume of money, and enables the wage worker to become a larger consumer, thus creating a larger demand for all commodities, and is one of the reasons (but not the only one) why the manufacturer is able to pay high wages. It is an endless chain, beginning in Protection and ending in Protection.

It seems unnecessary to waste time in the discussion of what no one disputes. It is a fact conceded by economists, statisticians, manufacturers and working men, by protectionists as well as free traders, that wages are higher in the United States than in any other country in the world ; higher than in England, the country, next to the United States where labour is most liberally remunerated ; in some trades in America wages are more than twice as large as those paid in England. The

60 PROTECTION IN THE UNITED STATES.

Blue Book laid before Parliament, August, 1903, contains the following table of wages :—

AVERAGE OF RATES OF WAGES CURRENT IN SOME RECENT YEARS, CORRECTED WHERE NECESSARY, SO AS TO MAKE THE FIGURES RELATE TO THE SAME "STANDARD YEAR."

| OCCUPATIONS. | | | United Kingdom. | United States. ¹ | Germany. | France. |
|------------------------------------|-----------------|-----|-----------------|-----------------------------|----------|---------|
| | | | s. d. | s. d. | s. d. | s. d. |
| Masons | Capital | ... | 43 9 | 120 0 | 0 0 | 34 7 |
| | All other towns | ... | 39 2½ | 84 4½ | 27 6 | 21 7 |
| Carpenters and joiners | Capital | ... | 43 9 | 82 7 | 25 1 | 40 10 |
| | All other towns | ... | 38 3 | 73 4 | 21 7½ | 23 6 |
| Plumbers... .. | Capital... .. | ... | 43 1 | 93 3 | 0 0 | 36 0 |
| | All other towns | ... | 38 3 | 93 9 | 0 0 | 21 7½ |
| Plasterers | Capital... .. | ... | 45 10 | 106 7 | 0 0 | 0 0 |
| | All other towns | ... | 39 3 | 87 6 | 27 6 | 21 9 |
| Painters | Capital | ... | 36 5½ | 87 3 | 0 0 | 34 7 |
| | All other towns | ... | 35 0½ | 73 3 | 0 0 | 21 7 |
| Turners | Capital | ... | 38 0 | 70 7 | 24 0 | 23 8 |
| | All other towns | ... | 35 0 | 52 10 | 20 0 | 24 0 |
| Fitters | Capital... .. | ... | 38 0 | 62 6 | 22 6 | 36 0 |
| | All other towns | ... | 35 0 | 52 10 | 20 0 | 21 7 |
| Smiths | Capital... .. | ... | 38 0 | 62 6 | 21 0 | 39 7 |
| | All other towns | ... | 36 0 | 75 0 | 21 7 | 24 0 |
| Pattern makers ... | Capital... .. | ... | 42 0 | 75 0 | 21 0 | 43 10 |
| | All other towns | ... | 37 0 | 68 9 | 21 0 | 22 8 |
| Brass moulders . . | Capital... .. | ... | 36 0 | 75 0 | 26 7 | 0 0 |
| | All other towns | ... | 36 0 | 66 3 | 19 11 | 0 0 |
| Compositors | Capital... .. | ... | 38 0 | 79 2 | 26 7 | 33 7 |
| | All other towns | ... | 32 3 | 56 3 | 23 1 | 24 0 |
| Lithographic printers... | Capital... .. | ... | 40 0 | 104 2 | 27 0 | 41 0 |
| | All other towns | ... | 34 0 | 85 3 | 23 7 | 29 5 |
| Cabinetmakers ... | Capital | ... | 42 8½ | 70 0 | 22 6 | 28 5 |
| | All other towns | ... | 35 6 | 58 2 | 22 6 | 24 0 |
| Upholsterers | Capital... .. | ... | 44 10 | 75 0 | 28 4 | 43 2 |
| | All other towns | ... | 36 0 | 55 3 | 27 11 | 25 0 |
| Coopers | Capital... .. | ... | 42 0 | 72 5 | 23 2 | 31 8 |
| | All other towns | ... | 36 0 | 52 7 | 22 7½ | 19 8½ |
| All of above fifteen trades | Capital | ... | 42 0 | 75 0 | 24 0 | 36 0 |
| | All other towns | ... | 36 0 | 69 4 | 22 6 | 22 10 |

¹ New York is taken as the capital of the United States.

While it is no longer disputable that wages are higher in America than elsewhere, the assertion is frequently made that these earnings are more nominal than real, as the cost of living in the United States is so great as to absorb the difference

between the European wage and the American. In other words, that the purchasing power of a shilling in America is no greater than sixpence in England, and while the American workman is paid a shilling for the same amount of work which brings only sixpence in England, after both men have paid for the necessaries of life, the money remaining in the hands of both would balance. That phase of the subject will be considered later ; for the present an attempt will be made to show what the effect of Protection has been on wages, and the reason why wages are higher in America than elsewhere.

One of the definite and most important results protectionists hoped Protection would accomplish was to raise the general scale, to bring about a higher standard—a higher standard of living, of wages, of intelligence, of initiative, of the physical strength of the nation. These things, protectionists frankly admit, cannot be had for nothing, they must be paid for, and though the cost of living in America as compared with the cost in Free Trade countries may be a trifle higher, the difference is more than met by the advantages derived. Moreover, the cost of living in America compared with that in England is not the difference between the wages paid in America and those paid for like labour in England.

Cost is only a relative term. The price of an article or a service may be high or low compared with a similar article or service elsewhere or at some other time ; the price of an article is high or low as measured by the amount of labour that will purchase

the desired commodity. If in one country a man must work, for the sake of illustration, twelve hours before his labour enables him to purchase a loaf of bread, the price of bread would be high and the price of labour would be low. If, on the other hand, a man need work only six hours to purchase a loaf of bread, even if the loaf of the same weight should sell in the market at twice the price of the loaf in the first country, the workman would still be twice as well off. It is true that simply comparing the prices of the two loaves one is higher than the other, but compared relatively to the earning capacity of the two men it is the first and not the second loaf that is the more expensive. In the one case the workman must give twelve hours of labour—which is his maximum capacity—to obtain a single loaf, and has therefore expended all of his resources for that one purpose. He has made a draft upon all his vital energies and has no further stock to be converted into labour and exchanged for some other commodity. In the other case the workman has expended for his loaf of bread only one half of his raw material or his capital (according as one may choose to call the pent up energy of a labourer before it has been transformed into service, the labourer's raw material or his capital; the terms being interchangeable and, in this case, synonymous) and has still remaining a stock of energy which may be converted into other articles of diet, clothing, means of amusement, anything, in fact, for which he has a desire.

It must be obvious that the man whose day's labour yields a loaf and a pound of meat is better off than the man whose day's labour is the equivalent of only a loaf of bread. The question of actual cost in England or America is of only minor importance, and the comparative cost is of still less consequence. The only practical consideration is the ease with which the article can be procured or, conversely, the labour which must be expended to earn the required amount of money to pay for the article in question.

It may be well to say that the use of the word "labour" must not be taken to apply solely to manual labour. Every man who does not derive his means of subsistence or his income from rents or other forms of investment is a labourer, whether he be a day labourer, a skilled artisan, a clerk, a writer, a doctor, a lawyer or a preacher. Each has to contribute a certain portion of his own particular form of labour to obtain a return in the shape of wages or salary or income, and his comfort and happiness are measured by the value which his labour produces. Protectionists constantly point out that free traders made the mistake of believing that Protection is in the interest of a class and that it is not of equal benefit to the entire community. This, from the standpoint of Protection, is a fundamental fallacy which free traders have long cherished. American experience has proved the contrary. A nation in which a wide gulf exists between prosperity and poverty is not really

prosperous. The day labourer no less than the clerk and the professional man profits by Protection and a high return for labour.

The American workman demands a higher standard of living than the European workman. Various reasons for this have been ascribed by various writers. Levasseur, ("The American Workman," p. 365) finds that "the democratic spirit of the American people has assisted materially in preserving the custom of high wages," and de Tocqueville ("Democracy in America," chap. VII., p. 230) wrote: "In proportion as social conditions become more equal, wages rise; and as wages are higher social conditions become more equal."

I shall not go too narrowly into the causes that make the American workman insist upon certain diet and comforts which the European workman does not deem necessary. Every observer is aware of the fact, exactly as he admits that wages are higher in America than elsewhere. The standard which the American workman has set can be maintained only by high wages. It may be open to discussion whether the standard is the cause or the effect of high wages, and whether it tends to increase wages or simply acts as a restraining influence in preventing their decrease, but I think it must be accepted that the higher the standard the greater the demands that will be made upon capital by labour, and the tendency will be to increase wages. The more wants a man has the greater his desire to satisfy them.

The standard of living in the United States being higher than in any other country, employers are compelled to pay higher wages. To make this highly paid labour remunerative the employer might increase the hours of labour over those prevailing in other countries and thereby obtain a larger output per man, or he might by more scientific methods make his labour more productive. He could not put in force the first method because labour in the United States will not allow itself to be unduly exploited or sweated for the profit of capital. Consequently, the alternative left to the manufacturer is to devise a system whereby the labourer in America, frequently paid double the wages of the labourer in England for the same class of work, shall produce an output so much greater that the actual cost per unit of production is lower in America.

The experience of the American manufacturer engaged in every branch of productive industry has shown that the cheapest labour is not the labour that commands the lowest price in the labour market, but, on the contrary, that the cheapest labour is the labour that is the most productive irrespective of first cost. Here the American manufacturer with his practical experience runs foul of the theories of Adam Smith, Ricardo, Mill and other economists who believed that a day's labour in one country was the equivalent of a day's labour in any other country, if the work engaged in was the same in both places,

and on this theory the so-called "iron law" of wages was founded, a law which was not a law, but merely an assumption, which the facts have routed. The American manufacturer has learned that "low wages do not mean cheap production, and that the best instructed and best labour proves itself to be the most productive, so that the rate of wages and the cost of production are not alternative or equivalent expressions, although so frequently and ignorantly confused." The American manufacturer has made the further discovery that the highest paid labour is usually the quickest labour, and is capable of turning out work which commands the highest price in the market, and produces better workmanship than labour less highly paid. In fact, so thoroughly is this now recognized, that one of the best known American advocates of Free Trade was compelled to use this significant language:—

"In almost every employment of an industrial nature a very great amount of training is requisite to make it effective or make it serviceable at all. Only in times of very great demand and scarcity of labour would any one employ crude labour in factories where skill is required. The first question at all times for an employer to put would be, 'What can you do?' 'How skilful are you?' 'What are your earnings?' Never would he ask, 'How cheaply can you work?' He would surely take the one offering his or her services first who had been in the habit of earning the highest wages, doing the greatest amount of work, &c. In times of depression or lesser demand, he would surely dismiss those of his hands who earn the lowest rate of wages, and keep those who are

best paid per diem, &c. How, then, can it be that wages cannot rise beyond the point of mere subsistence of the worker, when the skill of the worker is so powerful a factor in determining the rate of wages?" (J. Schoenhof: "The Economy of High Wages," p. 27.)

Another equally well-known American writer, who has championed the cause of Free Trade, finds that "wages . . . must be determined in the long run by what the product will bring, and not by what the capitalist may promise or be willing to pay for a given time. . . . Low wages are not essential to a low cost of production, but on the contrary they usually indicate a high cost of production" (Edward Atkinson, "The Distribution of Products," pp. 53 and 63). "Even at piece work," says an English author, "The rapid working man is cheaper than the slow one in industries in which costly machinery is required. The cost of production is less with fast working men because the cost on capital per unit of product is less" (Marshall, "Principles of Economics," p. 628). Many other equally eminent authorities might be cited, but cumulative evidence is unnecessary. It may be accepted as an economic axiom that the cost of labour is not the determining cost of the product of labour, and that the highest paid labour, which is always the most expert labour, produces the cheapest product.

While American labour commands the highest price in the world, the product of that labour is able successfully to compete with labour paid at a

much lower rate. What is the explanation of this seeming paradox? Intelligent British working men find the answer in the enterprise of the American manufacturer, his readiness to adopt more improved machine processes, and the substitution of machine for hand labour; and the British working man also believes that the American working man is compelled to work longer hours and under a greater strain, the Englishman being satisfied with lower wages and an easier life. Scientific observers and writers are content to ascribe it to the greater productive power of the American working man, without explaining the secret of the productivity of the American working man. Thus one writer says, "American higher earnings are only in other words an expression of a higher working capacity," which is doubtless true, but it teaches nothing. "The whole product of a nation," says another writer, "depends upon two factors, its natural advantages and the efficiency of its labourers," but the causes which produce efficiency are not revealed.

The belief entertained by British working men that the increased productivity of the American working man is due in part to the more extensive use of machinery, and especially the latest and most improved type of machinery, is true; but the general substitution of machine for hand labour is possible only because labour is expensive. It is only where a high rate of wages prevails that machinery can be profitably employed. It has

been pointed out that "in railroad building and canal work in India it is found that the low day rate at which labourers can be hired for carrying the dirt away from the banks makes the employment of machinery unprofitable and unnecessary." In America, on the contrary, railway building, canal digging, and other like work can be more profitably done by the use of steam shovels, excavators, and similar machinery, than by an army of working-men. The relation which the use of machinery bears to the cost of labour is concisely expressed by a distinguished French author. "A manufacturer considering the purchase of a machine," he says, "which will cost £2,000 and displace four labourers, but which must pay for itself in ten years, will not hesitate to make the purchase in a country where wages are £100 per annum. The machine will affect a saving of £200 per annum. A manufacturer in a country where wages are £40 cannot use the machine, however, because it would cause an annual loss of £40."

This explains in very few words why the American manufacturer so quickly disregards an obsolete machine, and is always willing to substitute for it a machine that will do its work better and cheaper. A machine costing £1,000, which in five years has saved £1,200 in wages, can be sacrificed at the end of that time without the manufacturer feeling that he is losing money. He is not losing money. He has made money by the use of the machine, and if he can obtain something better,

something that in the next five years will have paid for itself, and saved £1,500 in the cost of production, he will feel that he has made a good investment. But it must be understood that it would be impossible for him to make these changes, unless the money he invested in machinery effected a saving in the difference between machine and hand labour, and this is only possible in a country where high wages prevail.

The economy of machine over hand labour is now recognised by all writers on economics. One of the strongest American advocates of Free Trade, who denounced Protection and the injury which the McKinley Bill would do to the country, is forced to recognise the advantages possessed by the American manufacturer over his European competitors. "Our labour," he says, "being machine labour, is generally cheaper than European labour, which is to a large extent hand labour, or inferior machine labour, or unproductive, underfed labour, as compared with higher productive American labour."

The doctrine of high prices is always preached by the protectionist; and high prices for labour, he believes, is a nation's salvation. "Let no one," he says, "manufacturer or workman, be deluded by the belief that cheapness means prosperity, or that because things are cheap a man can have them in abundance. Nothing is cheap to a man without money; nothing is expensive if a man can afford to pay for it."

But it will undoubtedly be asserted, and believed, that while conditions in America result to the advantage of the working-man, in that he obtains higher wages, they entail an additional and unnecessary expense upon the manufacturer, and that in the last analysis this cost is paid by the consumer; and the working-man, being a consumer as well as a producer, bears his burden of the cost, and is no better off than the working-man in foreign countries. An examination of the cost of living in America is made in another chapter, and therefore will not be discussed here, but so far as the additional cost entailed on the manufacturer and the added cost of all products to the consumer are concerned, the history of American industry affords convincing proof that the use of the most improved types of machinery and the most highly specialised and best paid labour results not in increasing the cost, but, on the contrary, in decreasing it. A machine can better do that which was formerly done by hand, and the greater the skill of the hand which controls the machine the greater the production, and consequently the lower its cost. It follows, therefore, that the use of machinery in charge of intelligent and highly trained men is of advantage to the employer, because his profits are increased; to the advantage of the consumer, because cost is decreased; to the advantage of the labourer, because the employer can afford to pay higher wages in proportion as the cost of manufacture decreases and its profits are increased.

American experience has demonstrated that the manufacturer who would keep control of his market and not be crowded out by more enterprising rivals must keep pace with the march of scientific or mechanical improvement or yield to a competitor with more brains or more capital. Writers frequently deplore the fierceness of competition by which a manufacturer who has a large amount of capital invested in plant is compelled to send expensive machinery to the scrap heap because it has become obsolete, although it is still in good condition. No one who studies economics philosophically and in their broader relations to the welfare and progress of nations need waste a single tear over this tragedy. It is immaterial to the world whether a manufacturer, after having spent £100,000 to equip his plant, must spend still another £100,000 or else go out of business. If he is forced by improvement to replace the first set of machinery by other machines, it means simply that inventive genius has succeeded in producing a machine that will make certain articles at a lower cost than was possible by the employment of the machinery then in use. It is pathetically true that the individual manufacturer may be compelled to increase his capital by £100,000 or be forced into bankruptcy, but that is more than counterbalanced by the advantage derived by the entire world being able to obtain a better article at a lower price, and by its increased consumption, for increased consumption

always accompanies the reduction of the price of an article of daily use ; greater profits also accrue to the manufacturer, who is able to pay larger wages to the labourer.

A manufacturer, describing a new loom before the United States Industrial Commission, said :—

“The cost of the machines per spindle is about \$4, making \$60,000,000 invested in spinning frames ; and these \$60,000,000 are doing to-day what \$120,000,000 would be required to do under the old method.”

In a report of the chief of the Bureau of Labour of the State of New York there is testimony as to the use of machinery in the two principal manufacturing countries of the world :—

“The United States and Great Britain are the greatest owners and users of machinery. Compare the general condition of the workers of those two nations with that of any other country on the face of the globe where machinery is unknown except in its most primitive form. Where lies the superiority ? It seems almost a paradox, but it is true, that machinery conduces to employment and to betterment ; not only increasing production, but multiplying the chances of employment and incidentally the consumption of products.”

The use of machinery, therefore, in its largest and most varied forms is a thing that every protectionist believes that every labourer as well as every consumer should heartily welcome. The man who has only one thing to sell, that is, his labour, can obtain for it more when he is required intelligently to direct the operations of a machine than he can when his labour is to be expended in

the cruder forms of manufacture. The greater the use of machinery the higher the general rate of wages, and to repeat what has already been said of cost, because too much emphasis cannot be laid upon a fact which some economists ignore, the labourer, while a consumer, is also a producer, and the labourer as well as every other person is vitally concerned in maintaining a high standard of wages and securing a low labour cost of production. The more extensively machinery enters into manufacturing processes the lower the cost to the consumer. Therefore, machinery increases wages and cheapens production, so that the labourer obtains a double benefit by receiving a greater reward for his labour and having to spend less for the necessities of life, which means a surplus to keep him from the border line of starvation. Furthermore, the physical and mental condition of the labourer is immeasurably improved by the substitution of machine for manual processes. It is claimed that the effect on a man placed in charge of a machine is to degrade him, because his work is so monotonous that it blunts his faculties and in a short time he becomes practically an adjunct to the iron and steel of which he is in charge. But no unprejudiced person who is familiar with conditions existing in industries before the use of machinery became general, and who knows present conditions, will deny that the general level of intelligence and the general condition of the working-man are higher now than ever before. It must be obvious that the strain on

a weaver who has to watch a few automatic looms is a much less drain on his vital energies and less dehumanising than the task imposed upon his grandfather who worked a hand loom. The automatic loom-tender works about nine hours a day with less physical discomfort than his grandfather, when fourteen hours counted as a day, and the wages of the modern weaver are as much larger than those of his predecessor as his hours of toil are fewer.

To the credit side of the use of machinery must also be added all the other things that have followed in consequence of its introduction. Compare the well-kept, well-ventilated shop of to-day with the miserable cottage at the time when cottage industries flourished in England, and before the factory system became universal. In countries where machinery is extensively employed the condition of labour is better than in countries where machinery is only sparsely used, and it will be found that the more general machine processes enter into all branches of manufacture the higher the social condition of the labourer.

One explanation of the greater productivity of the American working-man, I think it will now be conceded, is the greater use of machinery, and it has been shown that only in a country where the rate of wages is high is it economical to use machinery. But it is the belief of British working-men, a belief shared in by many British manufacturers as well as British and foreign writers, that

the American manufacturer is a hard taskmaster who, figuratively, stands over his working-men with lash in hand and compels them to excessive labour, which they can only accomplish at the expense of their physical well-being. Never was there a more mistaken idea. The greater productivity of the American working-man is not due to the fact that, like the slave condemned to the galley, he is pushed to the extreme limit of exhaustion, but because the American working-man is the best fed, the best housed, and the best clothed working-man in the world, which enables him to do better and more work than any other working-man. That is the secret of his efficiency.

The American workman is the best clothed, best housed, and best fed workman in the world. He lives in more comfort than men of the same class in Europe ; he has more money to spend on luxuries and pleasures ; as a child he is not half starved or insufficiently clad ; his mental and physical development is not stunted ; he is not compelled to work at an age when nature requires that the growing child shall have much time for sleep and play, and when good food is essential to make bone and muscle and brain.

All these things make up the sum total of the efficiency of the American working man. The American who comes to the starting line of the race of life, who must spend all his days at the forge, the loom, or the lathe, is by reason of the

higher environment into which he has been born, the better and more abundant food which he eats, the greater comforts generally with which he is surrounded, and the higher standard of living, more competent to perform work requiring skill and energy than the workman of a lower vitality or an inferior physical and mental equipment.

Can anybody question the cause of the American workman's efficiency or the effect which that efficiency must have upon the national welfare and the productivity of its workers? Apply the same test to an animal and it would not be disputable. Will a well-fed horse, kept in a properly ventilated stable, do better work with less exertion than a horse insufficiently fed, whose stable is dark and rank, whose coat has never known the curry-comb? Where shall we look to the better stock to perpetuate the strain, and would any sensible man in purchasing a colt hesitate in his choice between the colt of the former and that of the latter; and would it not be certain that if the colt was put to work when still immature it would break down at an earlier age than the colt which had been allowed to run wild until the time came when nature intended that it should cancel its debt by labour?

"In England," says Schoenhof, "I frequently heard it said that labourers brought from Ireland usually break down after the first week's trial; had then, living with friends, to first get used to the English standard of life, and feed up in order to do work at the English rate. Gradually, in keeping with their

better feeding and living, they became as good and strong workmen as the English. Now, in American mills the very same holds good."

And the same author also says:—

"‘They don’t eat and don’t work,’ said a shoe manufacturer of Vienna, when we compared notes on the productiveness of Austrian and German labour and of American labour. ‘Bread and beer swilling, and an occasional bit of sausage cannot give strength sufficient to compete with you.’"

The late Mr. Schoenhof, it may be remembered, was for many years one of the foremost American free traders.

To sum up : The American working-man has a productive energy greater than that of any other working-man, and this higher capacity is due to his being able to obtain more and a greater variety of food that is suited to his wants ; to his being better housed and better clothed and having better surroundings than the working-man in other countries. Because he is a superior working-man it is profitable to make a more extensive use of machinery in America than in other countries, and this more general use of machinery has made it profitable to pay high wages, while at the same time it has reduced the price of commodities.

CHAPTER VI.

THE GENERAL COST OF LIVING.

IF producers and consumers dealt directly one with another, there would perhaps be less necessity to discuss the merits of Free Trade and Protection. If all labour were hand labour, the more unrestricted the exchange of commodities the better it would be both for producer and consumer. If the man who wanted wheat could barter it for cloth which he wove on his hand loom, it would be to his benefit to deal immediately with the wheat grower. In that case low wages, or expressed in another term, a low cost of production, would result in low-priced commodities, for which society would pay by being kept low in the scale of civilisation. Fortunately for producers as well as consumers, for the world at large, modern conditions require a more complex system. Producers and consumers do not deal directly with each other. Between the producer and the consumer there is a wide gap, which is bridged by the elaborate machinery of modern distribution, and which involves much waste. It does not necessarily follow that cheap production means cheap prices to the consumer ; usually the reverse.

I have shown that conditions in America enable

manufacturers to pay their workmen wages in excess of those paid in other countries, and that these high wages have stimulated inventive genius and encouraged the use of machinery, the manufacturer finding it more economical to displace men by machines. That economy, however, is possible only when a machine, very often costing a large sum, can be made to do more, better, and quicker work than had previously been done by hand. Quantity, workmanship and speed are three of the greatest factors comprising the sum of the cost of production. The manufacturer who can turn out more pairs of boots of better workmanship in a working day of ten hours than his competitor in the same time can afford to sell his boots at a lower price and still realise a greater profit. That every manufacturer knows, and his constant effort is to decrease the cost of his product by increasing his output.

An illustration used by Adam Smith will show how the consumer is the gainer by the use of machinery. Adam Smith calculated that one man working alone and without machinery could not possibly make twenty pins a day, while in the small pin factory, which he selected to illustrate the advantages of the division of labour, ten men with a little machinery and specialised work could together produce 48,000 pins a day. Mr. Schoenhof takes up the same illustration and cites a Connecticut factory in which seventy machines, directed by one machinist, three operatives, and one boy,

produced daily 7,500,000 pins, all placed in the papers and ready for sale. A hundred years ago they boasted that in one day a single workman could make 4,800 pins; to-day one man makes 1,500,000. The difference is typical. In a recent investigation made by the Department of Labour it was ascertained that one pound of pins which cost \$5.32 (say £1 1s. 4*d.*) to make by hand, could now be manufactured for a little less than 26 cents (13 pence).

One of the results of Protection, its advocates maintain, is to reduce the price of commodities. This is not always seen immediately. Perhaps the first effect of a high tariff is unduly to advance prices, and another effect equally baneful is to preserve obsolete methods, which must necessarily result in high prices, but these evils correct themselves by the sharp pressure of competition. That pressure may come either from within or without. If the enterprise of home manufacturers is not great enough to enable them to keep control of the home market, it will be wrested from them by more enterprising foreign competitors, but in either case prices fall to their proper level.

Free traders assert that the consumer always pays the tariff, and that the rate of duty levied on an article is simply an added tax on consumption. This theory is denied by protectionists. It is really the crux of the whole argument.

It has been asserted that one of the most important effects of Protection is to raise the

standard of existence. High wages are the rule in America, and commodity prices are higher than in Europe, but the difference in prices is more than met by the difference in wages. A relatively high range of commodity prices, due to natural and not abnormal or artificial causes, such as a shortage of crops, strikes, corners or other reasons, the protectionist finds, is the expression of high wages; high wages indicate high productive power, which means a high consuming power. Neither workman nor capitalist, he says, has anything to fear from high prices, the result of this economic system, but, on the contrary, both will prosper by it. The American free trader cites the superior wages of the British workman as compared with the German as supporting his theory of the advantage of Free Trade. The protectionist answers that the cost of living is higher in England than in Germany. Will the British workman, he asks, or the advocate of Free Trade, contend that the condition of the German workman, who enjoys the so-called advantages of low prices, is better than his own? And will he not perhaps admit, after he has carefully studied the question, that the condition of the American workman, whose cost of living is higher than that of the British, but whose wages are proportionately still higher, is an even more fortunate individual?

England and the United States produce a competitive article of general consumption. The price of that article in England is, for the sake of

illustration, 10s., on which there is a duty of 50 *per cent.*, so that ignoring, for the sake of convenience, the cost of freight, insurance and other incidental charges, the article cannot be sold in the United States for less than 15s. It can be produced in the United States, equal in all respects to British manufacture, for 10s., but inasmuch as the tariff advances the price to 15s., and there is no danger of English competition below that price, the American manufacturer may with safety charge 15s., and thus lay a tax of 5s. on every customer. Theoretically the illustration cannot be refuted. It is a beautiful and simple example of a consumer in a protected country paying tribute to the manufacturer. But is it as sound in its practical operation as it appears to be in theory?

At 10s. the manufacturer, both in England and the United States, is making a proper profit on invested capital. At 15s. the American manufacturer is making an excessive profit. Although there is much loose talk indulged in at the present time of monopolies, with the exception of patents, railways, and other similar franchises, there is no such thing as a trade monopoly, and any man with capital, technical or professional knowledge, and the requisite commercial ability can compete with any other. Capital is always seeking investment, and capital will naturally flow where the returns are highest, the security of the investment being the first consideration. A business which, because it is protected by an unnaturally high tariff or for

any other reason, yields excessively high profits is always the first to invite attack from competition.

If the demand for the 15s. article exceeds the supply it would be foolish for a rival to reduce the price, because business is not an altruistic enterprise, and every man tries to make all that he can ; but if, as is usually the case, supply and demand keep level the latest seeker for trade must, to obtain his share of the trade, be content with smaller profits, or produce a better article at the same price, or an article equal to that already on the market at a lower price. If by economy of management, superior abilities, or improved processes, he can lower the cost so that it can be sold for 14s., his profits are still very large ; they may be even larger than those of his rivals selling at 15s., and he will "monopolise" the business and obtain the trade which formerly belonged to them.

According to some economists the cost of an article is regulated by its cost to produce under the most unfavourable conditions. It must be obvious that this is false reasoning, and that the cost is regulated by the cost required to produce it under the most favourable conditions. The market price of the article used for the purpose of illustration is no longer 15s. but has fallen to 14s., because all other manufacturers must either meet that price or abandon their trade to a more enterprising competitor. At 14s. profits are still large enough to attract new capital, and new capital is invested in the business, again with the result that either

profits are reduced by competition, which is for the benefit of the consumer, or manufacturing can be carried on more economically, which is equally for the advantage of the consumer, and in the course of time the difference in price between the American and English article may be less than 2s., although the duty imposed is 5s.

This is no fanciful or exaggerated illustration. It is only putting in more convenient terms American experience in the manufacture of steel rails, or a reduction in price from \$106 to \$28 a ton, and scores of other staples might be similarly cited. The difference in price between the great bulk of commodities in England and in America is not the difference which the tariff permits to be levied. The following prices have been furnished me by the United States Bureau of Statistics, and are interesting as showing how slight the variance is in commodity prices in the two countries:—

COMPARATIVE PRICES IN THE UNITED STATES AND ENGLAND.

| Articles. | United States. Dollars. | England. Dollars. |
|----------------------------|----------------------------|----------------------|
| Flour, per 280 pounds ... | 7'00 | 6'52 |
| Butter, per 112 pounds ... | 24'92 | 24'82 |
| Hams, do. ... | 13'44 | 12'65 |
| Bacon, do. ... | 12'88 | 10'95 |
| Beef, do. ... | 9'24 | 9'08 |
| Eggs, per 120 ... | 3'00 | 3'04 |

Flour, butter, hams and eggs are maximum prices from the London *Public Ledger*, and are compared with maximum prices from the New York

National Provisioner and Journal of Commerce. English prices for bacon and beef are average prices of American bacon and beef from the London *Economist*. English prices for butter are for best Danish, and eggs, for best French ; all other prices are for American commodities of the same or similar grade so far as ascertainable.

But figures, even although exact, are often misleading. One constantly hears that clothing is cheaper in England than in America, and as with all general statements this is true only in part. Luxuries of all kinds are more expensive in America than in England, and what by custom is no longer considered a luxury in England is still regarded as such in America. Thus, in America most men of average means, and many well-to-do, are satisfied with ready-made clothes, and "custom clothing"—that is, suits made to order—is in many places looked upon as extravagance. A lounge suit for which a man pays five or six guineas at a Bond Street tailor's will cost in America from eight to twelve pounds, according to the conscience and reputation of his tailor. On the other hand, a well-made serviceable suit, if bought ready-made, will cost no more in New York than in London, and the New York suit will fit better, that is, according to American ideas of style. It is the same in regard to boots. A pair of boots made to order will cost in America from £2 8s. to £4 or more, but even the most fastidious dresser need not pay more than £1 for boots ready made,

which will look well and give him excellent service. The workman pays 12s. or less. The shilling necktie is as common in America as it is in England, and yet there are men who think nothing of paying £1 for a scarf. With a knowledge of prices both in England and America, I am of the opinion that the necessities of life are little, if any, higher in America than in England, but articles of luxury, especially those hall-marked by fashion, are much higher in the former country than in the latter.

An incorrect understanding of the difference between the standards of living in the United States and in Europe is the cause of much confusion and the generally prevalent belief that for the same style of living the cost in America greatly exceeds the cost in European countries. British workmen and British investigators who have only superficially examined into conditions in the United States are always fond of repeating that it requires more money for a man to live in America than elsewhere, and he immediately states it as an incontrovertible fact that the working-man is no better off in America than elsewhere, because of high prices in America. If the foreign working-man should be raised to the same standard as the American, it would, perhaps be discovered that the amount actually required to support a family in the same comfort and give it the same surroundings would not vary much.

Testifying before the United States Industrial Commission, an Englishman, employed at that

time in the Trenton potteries, who had been thirty-three years in the United States, and who had also worked in the English potteries, said that the average wages of jiggermen and dish-makers in England were 27s. while the American average was approximately 50s., "but," he added, "they do not go at the rapid pace we do. We turn out a considerably greater number than they do. We go at a killing pace in this country."

"When you say 'a killing pace,' do you mean that the pace that you work at here impairs your strength?" was the question put to him by a member of the Commission, and his answer was, "No, I do not know that it does. It seems to me that we live to about the average of potters in other countries, but as the custom of the American citizen is to go ahead in everything, we do the same. Imitation counts for a great deal in this country. For instance, if one person gets a bicycle everybody else wants one. You go to work at seven o'clock in the morning, Monday morning, while in England and Scotland that would be about breakfast time on Monday morning. Then they quit somewhat earlier than we do. As a rule we keep at it ten hours a day except Saturday, and quit on Saturday at four."

This is one explanation of the apparently higher cost of living in America, because, as this man says "imitation counts for a great deal in this country, and if a person gets a bicycle everybody else wants,

one." In other words, the protectionist says, if the standard of living requires bicycles for the comfort or happiness of men working in the Trenton potteries, they buy them, because they have the money. In other countries, much as they might long for bicycles, they would be compelled to go without.

Another witness, testifying before the same Commission, put in an even more striking way the reason why living appears to be higher in America than elsewhere.

"There is very little difference in the actual cost of living," he said, "if they live in the same way. But the English potter is perfectly willing to wear a flannel shirt and a handkerchief around his neck from one week's end to another. That is the way they come to this country generally. When they are here for a few weeks or a few months, they want to do as their neighbours do, and have a white collar and a nice necktie and a pair of patent leather shoes, or something of that kind. They actually spend a good deal more money here. But if they lived in the same way that they do over there, I doubt whether living would cost but a very small fraction more than it does here."

A Philadelphia manufacturer of worsted and woollen goods for men's wear, an American, who for eight years had carried on the same business in England, testifying before the same Commission, said :—

"My conclusions were that the cost of living is something lower there [in England] generally, but among workpeople it is almost as high as it is here.

The prices of food, if anything, are higher there than they are here, which is an essential factor in the cost of living. As I lived over there and kept house that was a question I looked into somewhat. The only article that I ever discovered over there that was cheaper than in this country was potatoes. That in some sections is a very important item of diet. But they live fairly well over there; they do not consume a great deal of meat; their food is more of a character of cereals—bread and all things of that kind. Over there instead of living in houses as they do here, they live in rooms. We have workpeople living in our town living in houses by themselves that have all the necessary conveniences, such as bathroom, heater, and gas. The houses over there have gas in to a large extent, but it is very rarely that any of them have bathrooms. I do not think in any instances heaters are much used, although they are economical in household expense. They depend almost entirely on open fires and live largely out of doors."

Jacob Weidmann, a silk dyer of Patterson, New Jersey, testified before the Commission that labour in the United States has a much higher efficiency than in his Swiss dye-house, that wages are from 60 to one 100 *per cent.* more in America than in Switzerland, and that a man can live cheaper in the United States than he can in Switzerland. The statement that living is cheaper in America than in Switzerland created surprise and caused a member of the Commission to ask him if he really meant what he said, and in reply the witness said, "Yes, he pays a little more for rent, but he can live here cheaper. Some men keep a record of it and find that they can live cheaper here."

“And at the same time have meat twice a day?” he was asked. “Yes, meat three times a day over here,” was the reply. “Those are facts.”

It has often been asserted by free traders that because the tariff shuts out the foreign competitor, the American consumer is at the mercy of the American manufacturer, who can put upon the market shoddy goods and articles of inferior workmanship, as the consumer must either take what is offered him or go without, as the price of a superior foreign made article is prohibitive. It has also been asserted that because of high prices and the large volume of money in circulation manufacturers are able to charge high prices, knowing that men who are well paid will not scrutinise their expenditure as closely as those among whom the struggle for existence is more severe, which results in prices being unduly increased and the consumer being compelled to take inferior goods.

Here, again, the protectionist joins issue with his opponent and believes that the facts disprove the theory. It has already been shown that in any staple industry where the price and the profits bear an undue relation to the cost of manufacture, a direct invitation is extended to capital to obtain a share of that business, which has the inevitable result of bringing prices to the proper level. There is also another reason why abnormal prices and excessive profits cannot long prevail. Competition in America is a fierce struggle, and the man who

would not be out-distanced must make a cheaper or better article than his competitor. It is certainly not true to-day, no matter how true it was in the past, that the American, whether he is a mechanic or a man higher in the social scale, is content with shoddy or inferior goods, and it is equally untrue that he recklessly throws away his money. The converse is the truth. Although he is not niggardly, as a rule, he tries to obtain the best and the most for the least money.

American boots and shoes, American machinery and other articles of use and wear have an established reputation in Europe because of their artistic workmanship, the excellence of the materials which enter into them and their low price. It is the same with everything else that the American uses, every article of prime necessity, or comfort, or luxury. Take, for instance, the roll top desk which is found in every office. Nearly every year manufacturers bring out a new style which contains some small improvement over last year's pattern. Just as the banker and the merchant demand greater conveniences and something better than their fathers did, so does the American insist upon superior surroundings. In the house of the well-paid, thrifty mechanic one finds solid furniture of good workmanship and pleasing design. He is no longer satisfied with wooden chairs or the horse-hair-covered abominations which served when he was a boy. He must have something that is not only more comfortable but which

appeals to his sense of the beautiful, and he obtains both comfort and beauty at a smaller cost than his father did because of competition and the demands made upon the manufacturer not only by the workman but by all classes ; because of the generally high standard which prevails in America ; a standard, protectionists assert, which would be impossible were it not for Protection.

CHAPTER VII.

PROTECTION AND NATIONAL WELFARE.

ONE of the chief arguments of the protectionist is that Protection is not only economically sound but morally must command the approval of all persons to whom humanity is of greater consequence than the saving of a few pence on an article of necessity. "The man, not the dollar," was the epigrammatic expression used by one American statesman. "Cheap goods make cheap men," said another. This is the keynote of Protection.

The American workman and the American protectionist claim that the sum of the reasonable and proper wants of a man in his sphere of life—food, clothing, housing, recreation, education for his children, etc.—constitute the "standard of living"; to lower that standard degrades the nation, and to maintain the standard adequate wages must be paid.

Accepting the Ricardian theory that the tendency of wages is to sink to the minimum of existence, they have by every means in their power sought to prevent the degradation of labour and to make the workman demand something more than the bare minimum of existence. The workman, they say in effect, is entitled to more than a minimum of food

and clothing ; his labour justly earns him decent surroundings and some comforts. The principle for which they contend is set forth in a pamphlet issued by the American Federation of Labour :—

“As a rule in all countries and in all times the demand for higher or more wages is consequent upon the increased pressure of new wants created. If a man has learned to read and is surrounded by reading men, he will want to read, and will demand such wages as will enable him to satisfy this want. If there was no such day as the Sabbath or rest-day, and all wage-workers were employed the seven days of the week, not only would wages not be advanced, but they would be reduced because the present wants of Sunday would be lost. Hovel life gives hovel wages ; tenement-house life gives tenement-house wages ; shabby clothes gives shabby wages ; good clothes, good eating, good homes, mean good wages ; you cannot have the best till you want the best.”

“What does it matter ?” the writer supporting the argument of Protection always asks, “that the workman has to pay more for his commodities if he can obtain his full share of them ?” The labourer, says one writer, conforms his mode of living to his income. When the wages of working-men have once risen and their wants and satisfaction have become adjusted to a higher plane, it is exceedingly painful for them, as for other people, to accommodate themselves to a lower plane ; they make every effort to avoid the change.

“It does not matter much,” said a member of Congress, “that the labourer gets his share of the price of the finished article if that share is not

enough for him to live on and to give him a surplus. If the price of the finished article is low, the reward of the labour is low."

In his "Wealth and Progress," Mr. George Gunton has clearly explained that the price of labour tends to approach the cost of maintenance, not of an isolated labourer, but of the most expensive family whose labour is required in production, and that it is those who live best, and not those who live cheapest, who, by their cost of maintenance, determine the rate of wages.

The American believes that Americans of all classes, but especially the working classes, live better and in greater comfort than persons in the corresponding ranks of life in any other country, which to the protectionist is the justification for Protection, and is met by the free trader with the assertion that this higher standard, which would be still higher were it not for Protection, is due to natural advantages and to living being easier in a new and partly-developed country than in countries where life, because of a congested population and a lack of opportunity, is too often a bare struggle for existence. It is impossible, of course, to affirm or deny the truth or falsity of either statement, but impartial investigators bear testimony to the higher environment of the American working-man, and attribute it to the high wages which he earns. "The more the forces of cultivated intelligence, conscientiousness, and hopefulness shall infuse themselves into human industry," wrote the late

Ambassador to England, Mr. Bayard, a very stout free trader, by the bye, "the more abundant and valuable the results, the greater the sum of human happiness, and the more stable the political institutions of a country."

This standard, whatever its cause, produces certain results which are clearly seen in the daily life of the nation in its manners, customs, health, morals and institutions. The effect of high wages and all that go with them—better food, better clothing, better houses—is continually to raise the less fortunate to the higher level, instead of dragging down a higher class to a lower level. The immigrant when he first lands is usually willing to work at any price, but after he has been in America a short time and has become sufficiently Americanised to understand the higher value placed on labour, he quickly demands a higher wage, and one of the great efforts of working-men is to prevent the ruling price of labour from being broken down by the influx of foreign labour, accustomed to lower wages and a lower standard of existence, and therefore satisfied with lower wages.

This menace of cheap foreign labour is the constant dread of the working-men and the protectionist, who believe that nothing could be more injurious to the welfare and prosperity of the country than a lowering of the general standard; but it is a fear more imaginary than real. There is abundant testimony to show that the energy and greater productivity of the American working-man

are the results of his superior surroundings, and that the immigrant must pass through a probationary period, that is, his physical condition must be improved ; in other words, that he must be "fattened up" for the market, before he is able to go the pace of the American, who is, in short, of better stock. To a witness before the Industrial Commission (Vol. XIV., p. 647) this question was put :—

"Many employers and many representatives of labour unions have testified that the American workman in any industry turns out a greater amount of finished work than the English worker will do, and they even go so far as to say that is true of the Englishman transplanted to this country ; that there is something in the air or the living that induces him to turn out a greater product. I would like to ask you if it has been your observation that that is true ; what do you think are the causes that bring it about ?"

"It is true ; the causes I do not know."

"Is it a better living—better conditions under which the people work ?"

"I will say we live somewhat better than they do in foreign countries. The opportunities present themselves. I do not think that even the child has the opportunity of living in foreign countries as he does here. He has everything in season and he lives better. It is a necessity that he does or he could not keep this pace up. I have known men to come to this country and start to work, and found the pace so rapid that they have retired and gone back. The very experience of seeing us with our shirts off scared them into hysterics almost."

"You think the operative in your line of business will live as long in this country as he will in the other ?"

"I think longer. I believe if I had stayed in England I would not have been living."

Another witness before the same Commission testified (Vol. XIV. p. 704) :—

“ When I get a new man who comes over here he is green, and it takes him some time to get worked in ; but after he has been here five or ten years he is just as good as any of them, and he will turn out in our factory in Paterson one-third more work than when he first came.”

“ The very basis and foundation,” said still another witness (Vol. XIII., p. 538), “ of the superior energy of the working people of this country in my judgment lies in the abundance and adequate supply of food as compared to every other nation. You can buy the elements of adequate nutrition in Boston, New York, and Philadelphia at a certain rate ; in Chicago, St. Louis, and the Middle West at a less rate. Go across the water and in England you will find that the necessary elements of nutrition cost very much more, in Germany yet more, in Italy so much more that they cannot have them. Now, in proportion to the feeding of the human boiler with adequate fuel is the development of human energy and power applying it to mechanism. Mr. Olcott, who has established an enormous machine shop in Berlin on behalf of some of the Germans who came out here lately, who import American machinery in order to make American machine tools, reported to me that before they could get their machine tools started they were obliged to come over here and hire some high-priced American workmen to go out and start them. They paid them extravagant wages, and they found that the Germans could not do the work. The average nutrition of Germany will not stand the racket, and those workmen are trying to come home because they find a higher cost of subsistence out there.”

In this connection I shall use one more quotation from the evidence adduced before the Commission :—

"I should like to say just here," a witness testified (Vol. XIV., p. 202), "that this protection of the standard of life, standard of income, standard of health, standard of intelligence, for our working people, is highly important from a patriotic view. A great deal is said about assimilating recent immigrants, and we hope to do that by training them up in our American institutions, in our public schools; but it is quite as vital, perhaps even more vital, that they should be held to our American economic standards."

Fundamentally the American protective tariff system is based upon the belief that American civilisation is upon a higher plane than that of any other country, and in order to maintain that high plane the unscrupulous or short-sighted manufacturer must not be permitted to take advantage of the temporary necessities of the working class by compelling them to labour for a minimum wage. The economic justification of a protective tariff is that the Government does a thing which the individual cannot do for himself. This, the free trader asserts, is paternalism, and paternalism in its worst form, because it is in the interest of a class and opposed to the best interests of the masses. Protectionists maintain that it is not paternalism.

"Paternalism," as one writer observes, "is giving something to the individual; Protection is protecting the opportunities for the individual to do for himself. Protection in its strictly scientific aspect consists in preventing, by such non-paternal methods, as can within governmental authority be devised, any element of a lower civilisation from being the means

of industrial success against the element of a higher civilisation.

"The Government should protect the superior element against the inferior. The inferior does not need Protection and is not entitled to it. The test of civilisation is the dearness of man. A cheap man never created high civilisation or a strong nation. When, through social conditions, the average labourer and citizen becomes expensive, he is a factor in the economic life of the nation. It is the duty of the Government to protect that superiority against the inferiority of any other nation. Competition between nations should be on the basis of the higher civilisation. If any one wants the advantage of this country that person should have it only by rising to our plane of doing business. We should not be exposed to the disadvantage of being obliged to drop to his plane."

Patten, in his "Economic Basis of High Protection," says that an argument often advanced by free traders is that Protection impairs the moral independence of the people and causes them to be less enterprising and independent than otherwise, and that it creates in them a tendency to rely upon Government aid instead of self-help. This argument cannot stand to-day, no matter how true it might have been in the earlier days of Protection. "The independence of the American working-man," is a favourite theme of writers both in America and in Europe, who agree that the American working-man is more independent than the working-man of any other country, but the American working-man will claim that this is not so much independence as it is self-respect. No doubt part of this spirit of self-assertion of the

rights of the individual, of equality, comes from democratic institutions and the feeling that class and caste lines are less rigidly drawn in America than in other countries, and that civilisation being still so new and as yet in its formative stage the traditions of birth and ancestry count for less in America than elsewhere. Yet the investigator into causes must not omit to give due weight to the moral effect produced by good food and proper surroundings. It is impossible for a starving man to retain his self-respect, or for manly independence to exist where the ordinary decencies of life cannot be observed. Instead of Protection tending to break down the moral independence of a people, it appears, on the contrary, to stimulate that independence, to infuse into all classes greater vigour and enterprise, to create a desire for new wants and to furnish means for satisfying them.

Scientific observers are agreed that any national condition, Protection or Free Trade, for instance, diffuses itself and has an influence, immediate or remote, according to circumstances, on the whole body politic. The experience of America has shown that this deduction is sound, and that even in those industries in which the protection afforded is less than in the more highly protected industries the condition of the labourer is better than in Free Trade countries. The reason is not obscure. The minimum wage in the United States is determined to some extent by the maximum. There is a certain solidarity and community of interest

between all men in the ranks of the industrial army, although the gulf that separates them is frequently as wide as that between the commissioned officer and the private in the military army. The roller in the steel mills, whose wages would make many a London professional man envious, who belongs to the aristocracy of labour, has little in common with the semi-civilised and ignorant Slav who works in the iron mines of Pennsylvania, whose severe and enervating labour digs out from below the ground the ore which is converted into steel, which enables the roller to receive his high wages. The roller and the miner are not brought into contact ; the former lives on a much higher plane than the latter ; as a rule they know as little of each other socially as the chairman of a board of railway directors knows of a porter at a station which is merely a dot on the map, and yet a common cause unites them. The roller no less than the engineer, the compositor, or any other skilled workman is in sympathy with every attempt made by every other workman to elevate the general condition of labour and increase wages, because he knows that his wages are none too large ; and much more so, he says, must the struggle for existence be felt by those whose wages are only one-half so large as his own. The consequence is that the minimum wage exercises no effect on the maximum, but the maximum is the lever which raises the standard.

It is my endeavour to make a truthful and

unbiased presentation of conditions existing in America and not unduly to magnify or seek to represent them otherwise than they really are, or to disparage conditions in Europe by exaggerating those in America. It would be absurd and dishonest to try and make the reader believe that the condition of the working-man in America is perfect and that nothing more can be done to improve it. Much yet remains to be done to make life softer and sweeter to him, but conditions, as I have previously said about cost, are relative and comparative, and in any study of the position of labour in the United States one is compelled to compare it with labour in Europe. That the advantages are on the side of the American cannot, I believe, be controverted by any one who approaches the question with an open and unprejudiced mind and who scientifically studies a subject too complex to be dogmatised about with insufficient knowledge. Whether this superior condition of American labour is the result of Protection no one can say with positive knowledge ; his deductions will be influenced by his personal convictions. Protectionists find the ready answer in Protection ; free traders find an answer resting on more complex causes.

In any discussion of the position of labour in the United States the investigator must always remember that there is a wide chasm separating skilled from unskilled labour, and that in certain occupations in England the intelligence and standard of the workers are higher than in the like

occupation in America. The skilled labour of America is the best paid labour in the world for the reason, which has been set forth in previous chapters, that machinery is more extensively employed than in other countries, which requires a high degree of intelligence, enables the manufacturer to pay high wages, and permits the operatives to have an abundance of good food and to live in comfort. In trades where there is more hand and less machine labour the standard is lower, partly due to the fact that a lower order of intelligence is required, and also to the workers being foreigners of a lower mental type who have not been long enough in America to be brought up to the level of American stamina or intelligence. Thus, in the coal mining region of Pennsylvania, perhaps the general conditions are as bad as anywhere in the world, but the actual work of liberating the coal from the bowels of the earth is a manual operation, an operation that requires little skill but much brute force. The percentage of Americans in the coal mines of Pennsylvania is very small ; an overwhelming proportion of the miners are Slavs, Hungarians, and Italians, men of low instincts, illiterate, mentally and morally stunted. It would not be fair to compare them with the coal-miners of England, or to take them as a representative type of American labour.

A low physical condition and a high level of intelligence cannot exist side by side in the same

nation. Both brain and body must be nourished ; in a man whose blood is anæmic there will be mental and physical weakness. The recent report of the Inspector-General of Recruiting of the British Army shows that one-third of all men offering themselves for enlistment were rejected because they were physically, mentally, and morally unable to pass the required tests ; that the physical standard is lower to-day than it ever has been, and that if the standard of the past were retained the percentage of rejections would be still higher ; and this official states that out of every thousand recruits accepted only sixty-seven had a good education.

The qualities required to make a good soldier do not differ materially from those required to make an efficient mechanic. In the one case as in the other, he must be physically sound and mentally alert, for in these days, on the field as well as in the factory, much depends on individual initiative. But a nation one-third of whose males of military age are defectives cannot hope to compete with other nations, whether on the field or in the factory, whose men are of superior physique and mental equipment, whose bodies and brains have been fed and not starved.

One would be inclined to believe that the average duration of life of the American working-man must be greater than the English working-man, because good food, better sanitation, and higher surroundings ought to conduce to longevity, but there are no means of proving the soundness of the theory,

as American census figures do not give ages by occupations.

Hunger is the great incentive to crime and sin. An investigator of social conditions in America says :—

“We find that the instances where women are driven into sin by want are comparatively rare,” and he also says: “Even where everything seems to be going against a family, there is this quality of dauntlessness which one does not find in the same grades of life in London, for instance. In the English cities there is hereditary pauperism which existed for several generations. Fortunately, in our American cities we hardly find that at all as yet, and that is one great ground of hope.”

Protectionists assert that it will not be controverted that a well-fed nation is a better nation—that is, better physically, mentally, and morally—than one which is under-fed or constantly on the border line of starvation. It will do more and superior work, the standard of self-respect will be higher, its moral tone will be raised. No nation can enjoy these blessings when the wage scale is so low that the wage-earner has no margin above the mere cost of a scanty, and often insufficient, living. In the language of the writer already quoted, “A cheap man never created a high civilisation or a strong nation.”

CHAPTER VIII.

PROTECTION AND POLITICS.

IN America the protectionist as well as the free trader appeals to morality to sustain his position. The protectionist, as I have already shown, says that Protection is morally right because it elevates humanity and is in the interest of the great mass of the people. The free trader says that Protection is morally wrong, that it is as immoral as theft, that, in fact, it is only another species of theft made respectable by legal sanction. The protected manufacturer and the beneficiaries of Protection generally are robbers who exact a tithe from every customer; they levy a toll just as in the old days the robber barons laid a country under tribute, and so appropriate do free traders consider this simile that their favourite name for the protected manufacturers is "the robber barons."

The purpose of the present study being an attempt to present the historical development and effects of Protection in America and an examination of certain of its economic and not its ethical phases, I shall not enter into a metaphysical discussion, but here I shall attempt to answer a question often asked: "What is the

influence of the tariff on politics, and to what extent does politics influence the tariff?"

In the United States the tariff has always been a political question. In previous chapters I have given a short history of tariff legislation in the United States, and it is therefore only necessary now to add that since the existence of two well-defined political parties in America, the Republicans, and their predecessors the Whigs, have been the high tariff party, and the Democrats have called themselves the low tariff or Free Trade party, although it must not be forgotten that very few "tariff reformers," which is a flexible term to be interpreted according to circumstances, have the courage to avow themselves free traders as that term is understood in England. Most Democrats theoretically believe in "a tariff for revenue," which, if strictly construed, would mean simply the levying of such duties as would be merely sufficient to raise an adequate income for the maintenance of the army and navy, foreign intercourse, the civil establishment, and the other proper functions of government, without consideration of the protection to be afforded to domestic industries or the American working-man. It has been pointed out in a previous chapter that when the Democrats were given an opportunity in President Cleveland's second Administration to make public confession of their faith their courage failed them, and they contented themselves with a Tariff Bill that was in every respect a protectionist

measure, as much so as any framed by the Republicans, but a trifle lower in percentages. The Democratic Wilson Bill and the Republican McKinley and Dingley Bills did not differ in principle, they simply differed in the amount of Protection.

Nor must this be regarded as an evidence of treachery or of political opportunism on the part of the Democratic party. Times change and sensible men change their views to suit the times. In the youth of the Republic, in its light-hearted days, before it had been tried in the sorrow of the Civil War and in that crucible of sorrow had lost its youth and found its manhood, the South was an agricultural country. The war swept away slavery, and when slavery was destroyed new economic conditions were born. Before the war the South raised cotton and tobacco and sugar-cane, which were exported to Europe, principally, if not almost entirely, to England, and the planter of the South was solely interested in being able to purchase as cheaply as possible. He was not an employer of factory labour, consequently the condition of labour was of no concern to him. His labour was enslaved, and the economic laws governing free labour did not apply to serfs. So long as the wealth of the South lay in the bosom of the soil and black chattels harvested the crops, whose price was made in a mart 3,000 miles across the sea, the South was destined to cling to the idol of Free Trade.

But Protection now changes "from a temporary expedient to gain specific ends to a consistent endeavour to keep society dynamic and progressive." In the wake of the Civil War followed desolation and ruin to the South. Slavery ceased to exist. Fortunes had disappeared. The old order had departed, never to return. For a time the South lay prostrate, but only for a time. The soil of the South was a soil of incalculable wealth, but beneath the surface was greater wealth never dreamed of. The knowledge that the South was rich in minerals, that it had iron and coal, taught it the folly of transporting its manufactures of iron and steel 1,500 or more miles when they could be manufactured on the spot and save the cost of transportation. In consequence the South to-day is rich in iron furnaces; its competition is now making itself felt in the Northern States; the iron furnaces of Alabama are wresting the supremacy from those of Pennsylvania, just as Pennsylvania wrested the supremacy from Massachusetts, and the products of Southern iron furnaces are competing with those of the North in the markets of the world.

Massachusetts is no longer the cotton factory of the United States. The cotton States of the South are dotted with factories, which supply the demand for certain grades of cotton cloths in the local markets. The Southern factories are not yet able to compete with the Northern in the manufacture of high-grade goods, because thus far

the labour in the Southern factories is lacking in experience and the skill which is the heritage of generations of workers, but the trade of the Far East, which at one time was the monopoly of Lancashire, yet which half a century later passed to Lowell and other cotton centres in Massachusetts and elsewhere in New England, has now for a third time shifted and gone to the South.

Every additional furnace, every new loom, every dollar invested in manufacturing enterprise in the South has been a missionary in the cause of Protection. The Southern manufacturer, no less than his rival of the North, found that his best interests lay in Protection. Free Trade had become a creed with the Southerner; it was one of the tenets of his Democratic faith; but by becoming a creed it had lost its scientific basis. The test of experience has shown that many of the fundamental principles argued with so much force by Adam Smith and other eminent Free Trade theorists could not survive the shock when brought in rude contact with facts. The Southerner would like to believe that his theories were right and his facts were wrong, but his bank account and his balance sheet bear eloquent witness to the impossibility of reconciling theories with facts when the theories are unsound.

The tariff has always been a subject of political controversy in the United States, or at least in modern times, because after the issue of slavery had for years been fought in the forum and finally

settled for ever by the sword, and the great problems following the war had been solved, until the war with Spain, which brought new questions of foreign policy and colonial administration, about which men might very properly hold opposing views, there was really no national question, no great political issue, nothing to distinguish parties except the tariff. There were, of course, petty questions injected into every electoral campaign, but stripped of all surplusage was the naked question put to every voter : Will you vote for the party of Protection or the party of Free Trade ?

The tariff became a battle cry. Men rallied around its standard. It was at once the good and evil genius of national existence. If crops were abundant in America and crops of all the rest of the world were drought-stricken, so that the world had to turn to America for bread, which made the farmer as well as everybody else prosperous, "Behold," said the protectionist, "the beneficent effects of Protection !" If crops in America failed, if the folly of statesmen attempted the impossible task of making silver equal to gold, and men began to hoard their gold and the world grew frightened of American finance, the free trader in sullen gloom pointed to the tariff, that tariff which, like an unclean bird, fed on the vitals of national existence and gorged itself on human misery. The masses might hunger and shiver, but the robber barons, behind their ramparts of dollars, coined from the life-blood of the people, feasted in front of their fires.

If it be true that it is to the selfish interest of the employer of labour to fasten a system of Protection upon the people, and, conversely, that Protection is opposed to the interest of the employed, it is only natural that many employers would do everything in their power to perpetuate the party of Protection. The Protection party could appeal to the protected manufacturer on the most sordid and selfish grounds. You must give us money, the party manager would say, because you cannot make a more profitable investment. Protection has made you rich, Free Trade will make you poor; it is, of course, to your material interest to enable the Protection party to retain its power. This argument has led to the belief among free traders that manufacturers, in their efforts to rivet the shackles of Protection upon the country, have debauched politics, and that Protection and politics have been an endless chain of corruption, beginning with the prostitution of a political party in the interests of a class and ending in that class controlling the party and its policy for its own mean ends.

To some extent, of course, this indictment is justified. No man will work against his own interests, whether he is controlled by a purely selfish purpose or is animated by a higher motive. The manufacturer who has no knowledge of economic laws, to whom labour is simply so much raw material to be turned into the finished product, to whom the well-being of his employees is nothing

so long as he is made rich and profits by their labour, champions Protection because Protection is good enough for him and any change, he fears, will operate to his disadvantage. But the manufacturer whose field of vision is broader, who knows that national prosperity and happiness rest not upon the wealth of the individual but the well-being of the masses, who knows that the American working man is paid higher wages and lives among better surroundings than the working man in any other country, supports Protection not because he is avaricious but because something finer is his guiding principle.

An illustration will perhaps explain why the tariff has been made a political issue in the United States. Suppose in England there was no difference of opinion among Conservatives or Liberals as to the fiscal, foreign or colonial policy of the Empire, and only minor matters of domestic concern established the dividing line between parties, but the test of party fealty was whether England should build her navy in her own yards, or should buy her warships armed and ready for use from foreign builders, from American, German, French, Italian, or those of any other country competent to build a first-class battleship at a price lower than a competitor. The argument in favour of foreign-built ships, which, with a change of *motif*, is the argument of American free traders, would run something like this :—

“ We concede that England must have a great and powerful navy, but it is folly to build a ship in an

English yard when a ship similar in all respects can be obtained for less money abroad. The less money we have to pay for every new ship added to the navy, the less taxation will have to be imposed upon our people, and the more ships we can have for the same amount of money. Consequently, we are better off all round, and it must be for the advantage of the nation to save money."

The advocate of home industries would make the same reply that the protectionist in America has so often used :—

"The argument of cheapness appeals to the popular imagination, but if we buy our ships abroad we deprive labour—shipbuilders, engineers, fitters, turners, men in a hundred different trades—of the opportunity of earning a living ; the money which would be paid to our people goes to the support of foreign labour and increases the wealth of foreign countries. It is true that at the present time it costs more to build a battleship in England than it does abroad, but if the work is furnished capital will soon correct that. And even if prices should always remain higher in England than elsewhere, that difference will be more than compensated by the wages earned by domestic labour."

If parties divided on this issue in England it is not improbable that a builder of merchant ships, who felt himself competent to build first-class battleships, would support the party advocating home industries, and would make financial contributions to the party. On the other hand, it is no violent stretch of the imagination to imagine the agents of foreign shipbuilders foremost in their advocacy of the opposing party, and even more lavish contributors to its war chest. That would be deplorable,

but it would not alter the wisdom or folly of the particular policy ; rather, perhaps, it would carry conviction to the ordinary Englishman that what is for the interest of foreign countries is not always for the best interest of England. The protectionist in America supports Protection because he believes it furnishes work at high wages to the largest number of Americans, and promotes the prosperity and welfare of the nation.

If the manufacturer in America supports Protection because it is to his interest to do so, we must not forget that there is another class that contributes with equal generosity to the cause of low tariff or Free Trade, and is equally an enemy to the purity of politics. I refer, of course, to the importer. To him the wages of labour or the conditions of labour are of no consequence. His object is to import as much as possible, and the lower the tariff on certain articles the greater his American market for foreign-made goods. The domestic manufacturer, no matter how sordid, is, despite his sordidness, animated by a certain spirit of patriotism, and to him the welfare of his own country is of greater consequence than the welfare of a foreign country. The importer, on the other hand, is always mercenary. With him patriotism stops at the water's edge. It makes no difference to him where an article is made, under what conditions, at what cost of physical degradation, so long as he can find a market, and successfully compete with the domestic manufacturer.

It is unfortunately true that in America the tariff is a political question, and will always continue to be one so long as men make it an "issue," and approach its study from the standpoint of the politician rather than that of the economist or the sociologist; and the tariff, in its broader aspects, is perhaps even more a sociological question than it is an economic. For some years past there has been a demand on the part of manufacturers and business men generally "to take the tariff out of politics," to consider the tariff scientifically, and in the framing of Tariff Bills not to raise a schedule at the mandate of campaign contributors, or lower it because a pre-election promise must be redeemed. That happy stage of scientific advanced progress has not yet been reached in America, but when the tariff is no longer a football for politicians, when certain of its inequalities have been corrected, and its unjust discriminations removed, the influence of a tariff upon national industries and national welfare will be more dispassionately studied, and the menace of the tariff controlling or corrupting politics will no longer be feared.

CHAPTER IX.

THE TARIFF AND TRUSTS.

IN the United States during the past few years a combination of circumstances led to the formation of a large number of industrial corporations and joint-stock companies, popularly termed "trusts," and fixed the attention of the world upon one phase of American economic finance which gave rise to more discussions and more conclusions predicated on false premises than perhaps any other one branch of economics.

The majority of the trusts formed in the United States during the last few years, from 1898 to the beginning of 1903, when the trust madness ceased to exercise such a malign influence over its victims, were largely over-capitalised and obviously, to the person with only a rudimentary knowledge of business, foreordained to destruction because they were an attempt to subvert certain well-established laws of commerce.

Fundamentally the principle of the "Trust"—using that much applied word in its generic sense, and intended to mean a combination of heretofore rival and competing establishments, under a centralised and unified management, for the purpose of greater economy both of management and production

and the elimination of ruinous competition, so that profits might be increased and costs decreased—is scientifically sound, based on advanced business principles, and in the interest of the consumer. But although correct in principle, the American trust was an economic and social menace, because its organiser, who was more frequently a promoter or a speculator than a manufacturer or a merchant, using that term in its proper acceptance, found that his profits lay more in the speculative manipulation of the shares of the trusts, and their purchase by the public, than in the economies of management or the reduction of the costs of manufacture.

When distance adds the proper proportions to the relativity of perspective, and time enables a more correct judgment to be formed than when an event is shaping itself under our hands, the trust craze of the years 1898 to 1903 in the United States will come to be looked upon as one of the most remarkable psychological manifestations the world has ever known, equalled only, but not exceeded, by the magnificent schemes of John Law, and the mad haste of the people of two continents to become wealthy over-night by obtaining a share of the riches of the Indies, or by growing tulips of extraordinary size.

In 1898 the American people, following a period of great industrial depression and a foreign war, which impressed them anew with their military and financial strength, which fired their vanity, and quickened their always strong belief in the

invincibility of their destiny, and which set the stagnant pulse of the nation beating with accelerated and almost feverish vitality, were in a mental condition that, in a military people, would have turned their thoughts in the direction of further military adventures, but which, in a commercial people, acted as a powerful stimulus in making the nation possessed with the impetuous desire to make money.

The conditions were ripe for any adventure that promised gain. Tulips or South Sea Bubbles, the extraction of sunshine from cucumbers or making water run up hill, were one and the same. The promoter who could issue a deftly worded prospectus, who had the prestige of success behind him, whose shares stood at a premium of 25 or 50 *per cent.*, was of more importance than the man who knew all the details of his trade, or the master mind who knew when to sell or what to buy. Of the business of the companies in which the public invested, and in whose shares they gambled on the Stock Exchange, they knew nothing, and they cared still less. It was sufficient for them that their shares bought to-day could be sold to-morrow at a substantial profit, and must necessarily be worth still an added profit the day after. The whole country gave itself up to gambling, thinly veiled under the euphony of "investing in trust shares." A few persons, the ignorant and the innocent, those least able, of course, to suffer loss, professional men of small means, widows, the

trustees of orphans, honestly believed all they were told, and made *bonâ fide* investments; but the majority bought and sold according to the whim of the moment, with as much intelligence and as much reason as the gamester who puts his money now on the seven and now on the nine, who plays red or black, because according to his theory of the doctrine of chances, a number or colour is due to win. Many made money for the moment, but in the end the majority lost, and, as in all games of chance where there is a fixed percentage in favour of the banker, the few who handled the cards, and who stacked them whenever there was a run of luck against the bank, had all the winnings.

This extraordinary spectacle of a nation at the gambling table, who used railways and iron mines and steamships for counters, who while pretending to be engaged in legitimate business operations watched the stock "ticker" with the same feverish anxiety and nervous dread that in the time of war men and women watch and wait for the announcement that shall tell of national humiliation or give cause for national rejoicing, attracted the attention of the whole world. The world had to find a rational explanation. It found it in the tariff.

Free traders have always believed that the trusts were the effect of the tariff; that if there were no tariff there would be no trusts. This belief was fortified when Mr. Henry O. Havemeyer, one of the great sugar refiners of the world, testified before

the Industrial Commission (Vol. I., p. 101, *et seq.*) "the mother of all trusts is the Customs Tariff Bill," and he added that inordinate protection was given to all industries—"sugar refining excepted."

Mr. Havemeyer's statement reminds one of the American humorist, Artemus Ward, who said he was willing to show his patriotism by allowing all of his wife's relatives to go to the war. Mr. Havemeyer is equally generous and disinterested. One other passage of Mr. Havemeyer's testimony is peculiarly impressive as showing the difference it makes whose ox is gored. The tariff rates on all articles, he said, should be reduced to 10 per cent. *ad valorem*. "I have said that sugar is an exception," he added, and he explained to the Commission that sugar was at that time given a protection of one-eighth of one cent per pound. "It is not enough," he blandly added; "the least it should have is one-fourth of one cent per pound."

Mr. Havemeyer's testimony threw the protectionist ranks into temporary confusion, but they soon rallied. If in England, they said, there were no trusts or combinations, that would be strong presumptive evidence that combinations are impossible in a Free Trade country and that the tariff mothered trusts, but that evidence is not sustained. In a report made to the Industrial Commission by Professor Jeremiah W. Jenks, this language is used (Vol. XVIII., pp. 7, *et seq.*) :—

"In England the movement toward combinations has not gone so far as in either Austria or Germany

There were in earlier days many local combinations to keep up prices, and in some cases these rings have proved very successful. With the last three years, however, a very active movement toward the concentration of industry into large single corporations, quite after the form which has been common in the United States, may be observed. Nearly all of the feeling that one notes in England on this subject has reference to the later great corporations formed by the buying up of many different establishments in the same line of business, corporations that through combination have succeeded in acquiring in many particulars a good degree of monopolistic control.

"In Free Trade England the combination move seems to have developed considerably further than in Protectionist France."

"For several years past the trend of business toward consolidation and combinations of different establishments has been noticeable in England. For the last two or three years this movement has been very marked. Ten or twelve years ago some of the organisations which are still in existence, such as the National Salt Union and the Brass Bedstead Combination in Birmingham, were formed, but within the last two years a large crop of new consolidations in the form of single large corporations have sprung up, especially in the manufacturing districts of the North. Not merely is this tendency toward the formation of combinations noticeable, but the still further tendency toward making existing combinations much more complete in the control which the central management holds over the different members is no less striking, a fact which will be brought out more completely in the discussion regarding the forms of combination and methods of organisation." (Vol. XVIII., p. 14.)

Professor Jenks describes the formation of pools and combinations in England, and says:—

"There is nothing especially distinctive in the form from that of the later American combinations which

in like manner, as, for example, the American Sugar Refining Company [the company, by the way, of which Mr. Havemeyer is president, it is interesting to note], have bought up the plants of different companies in order to unite them."

Several combinations are mentioned by Professor Jenks to show that they practically control the trade. It is not necessary to repeat the list here. In England, as in the United States, the object of the trust is to control the trade and to increase profits in two ways: by the elimination of competition to prevent a reduction of price, and by the power given to monopoly to enhance the price.

A few years ago, even as recently as three years ago, the trust was a bogey to frighten capital as well as labour. It has now lost much of its awe-inspiring horror, although free traders still vehemently insist that if there was no tariff there would be no trusts.

"Naturally in England," says Professor Jenks, "as there is no tariff of a protective nature on any of the articles manufactured by the combinations, no claim has been made that the combinations are created by the tariff, a claim so usual in protectionist countries. It may be worth while to observe, however, that many powerful combinations have been formed in England within the last few years, and that in those lines the causes for the formation seemed to be substantially the same as those given in other countries, and the results of the combinations upon prices and wages do not materially differ."

What is the result upon prices and wages? It is true that prices of nearly all articles advanced

during the great business activity and general prosperity which followed the enactment of the Dingley Tariff Act of 1897, but this increase occurred in quite a marked degree in articles which were not produced or in any way controlled by trusts as those the products of trusts.

At one time it was feared that the trusts would embrace in their octopus-like tentacles all competitors, and when competition ceased to exist the helpless public, like the victim in the grasp of the octopus, would have its life-blood crushed out. In some instances trusts foolishly flouted public opinion by raising prices, but that move always overreached itself. From time immemorial men of vivid imagination and audacious cunning have essayed to "corner" a commodity or to create a monopoly, and they have succeeded—for a brief time, but only for a brief time. We have seen a single man controlling the world's supply of wheat or corn or cotton, with all the world appealing to him for foodstuffs or raw material; we have seen one man by a shameless *coup* hold in the grasp of his hands the traffic of a continent; but no man has ever exercised his destructive power for more than a fleeting moment as time counts in history.

"Corners" usually break of their own weight; combinations invite attack. I have already shown that abnormal profits encourage competition. No combination for the manufacture and sale of any one article has ever been formed in America that has included in its scope every manufacturer;

frequently it has embraced 90 per cent., but the remaining 10 per cent. has proved the saving remnant. That remnant to live must undersell its huge antagonist, and the trust, to crush the independent competitor, must sell at a lower price than any rival, so that excessive profits cannot long continue. Manufacturing monopoly, unless foundationed on patents, is well nigh impossible in the United States. "I have seen more trusts dissolved than organised," said Edward Atkinson when asked if he did not fear the trusts.

The effect of the trust upon employment and wages has received the careful attention of the Department of Labour, which found that where business organisations were combined into trusts, while in some cases a reduction was made in the number of persons employed, as a rule the number was increased and higher wages were paid in the same establishment after the combination than before. In addition to this general increase in employment and wages which followed the combinations examined into by the Department of Labour, it is asserted that the creation of these great organisations of capital result in an advantage to labour by ensuring steady employment. It is claimed that the trust whose capital is not fictitious or watered is better able to meet adverse market conditions than can a number of smaller and weaker competing units.

The outcry against the trusts, or more properly speaking, combinations, is illogical and hysterical.

In themselves combinations are a good thing and an evidence of progress, but as with many other agencies intended to be the servant they have become the master ; in many cases their legitimate purpose has been perverted and they have been made instruments to do harm. The great co-operative stores in London and other large English cities illustrate the economy of combination and the advantage derived by the consumer in being able to obtain superior goods at lower prices. One railway system under a single management between London and Glasgow can give the public a better service at lower fares than if the route traversed was over the lines of three separate companies. These things are so obvious that they need no elucidation.

But it is claimed that unscrupulous men availing themselves of the advantage accorded by the tariff form a combination to increase the price of a commodity. It has been shown that the same disregard for the public welfare exists in a Free Trade country as in a Protectionist country, so that clearly trusts do not draw the breath of life from the tariff, and the fear that the adoption of a tariff would lead to the monopolistic control of business is an imaginary fear. It may be pointed out, however, to those persons who honestly believe that this is an ever present danger, and not merely a spectre of the imagination, that the means of prevention are always in the hands of the Legislature, and if the Legislature does its duty the power of monopoly and oppression can always be curbed.

Appropriate legislation, while not interfering with the proper freedom of trade or the legitimate enterprise of the individual, while placing no obstacle in the development of modern industrial conditions, and while not hampering initiative or preventing the use of such economical or other advanced processes as superior intelligence or skill may show to be of advantage in the conduct of business, can protect the public against rapacity or dishonesty. If the Legislature exercises its power wisely, honestly, and in the spirit of modern progress, the public has nothing to fear from the trusts ; rather it will welcome them as among the most valuable of the slaves of the lamp that civilisation has called into existence.

CHAPTER X.

WHAT THE TARIFF COSTS.

THE economic and social effects of Protection its relation to and influence on wages, productivity, the cost of living and social conditions generally, have been examined in previous chapters, and there is now another phase of the question still to be considered—its financial aspect, or the general cost which is laid upon the nation for supporting Protection.

In the complex civilisation of to-day, which is the distinguishing characteristic between society now and society as it existed in the past, it is not always easy to reduce the elements of civilisation to their prime cost and weigh them in the scale of pounds, shillings and pence. The exact expense of education, of sanitation, of a finer cultivation of the humane instinct cannot be always estimated, and in every calculation allowance must be made for the offset which is the result of these expenditures, which raise national intelligence and health, which make a nation a greater commercial asset, if a nation is to be gauged by the test of commercialism.

The direct effect of Protection has been shown to be higher wages to labour in America than

elsewhere, an average cost of living little, if any, greater in America than in other countries, and a higher standard generally which, it is believed, is shared in by all classes. It is constantly asserted by the opponents of Protection that these benefits, and they are admitted to be benefits, are purchased at too high a cost.

There are no means to determine with mathematical precision whether the protectionist or the free trader is right. Conditions in the United States differ so markedly from those in other countries with which a comparison could be made, that any attempt to determine the effect of Protection by comparing the growth in population, production, commerce, bank deposits or wealth with that of other countries might be unjust and misleading. This is also true, in some degree at least, if an attempt is made to compare conditions in America in high and low tariff eras. Society in the United States in the first century of its existence has been in a state of constant flux ; it has been more quickly responsive to changing social conditions than perhaps any other country ; its very mistakes, its experiments, the recklessness of youth ; all those things, in short, that might have been fatal to a well-matured social system have often resulted to the advantage of the United States. The golden grains and the grains of gold—the wheat fields of the West and the gold mines of the Pacific coast—added so enormously to her wealth that even the folly of her law-makers was

not great enough to defeat the beneficence of nature.

It is impossible to say whether Protection has laid a burden upon the nation, whether the United States would be richer, stronger, more advanced if it had consistently adhered to Free Trade ; but it may be added that even the most pronounced advocate of Free Trade does not make the assertion in unqualified terms. Proudhon's "All property is robbery" finds its counterpart in the expression of the free trader, who says "Protection is plunder"; who argues that even if Protection were necessary in the past it is no longer necessary in the present, and is merely a device of unscrupulous greed to enrich itself by taking advantage of the people, who ignorantly allowed themselves to be enmeshed in the coils of Protection.

In any argument between protectionist and free trader, the former can adduce certain unassailable statistics in support of his position, while the latter must rely on theory to a large extent. Thus, resting on the mathematics of facts, the protectionist shows that the period of greatest national income was coincident with the highest duties levied on imported goods, that is, the highest tariff, and, conversely, low tariffs and low income went hand in hand. It does not necessarily follow that the magnitude of national income is the most certain test of national prosperity, but it is one test ; and as with individuals so with nations,

an income honestly earned and not the result of abnormal causes is a standard of material conditions.

From 1791 to 1903, a period of 112 years, there have been twelve years when the United States has been at war. Of the remaining years of peace fifty-three have been under low tariffs and forty-seven under high tariffs; those fifty-three years having produced an aggregate net deficit, or an excess of expenditures over receipts, of \$33,143,142; and in the forty-seven years of high tariffs there was a net surplus, or an excess of receipts over expenditures, of \$2,122,188,705; or reduced to English equivalents, in the one case the deficit was £6,628,648, and in the other the surplus was £424,437,741. It is significant that only twice in those hundred years did the expenditures exceed the revenues in high tariff periods.

Yet this array of figures does not carry conviction to the free trader. In any discussion of the subject he always cites the prosperous years immediately following the enactment of the Walker tariff in 1846. Undeniably those years were prosperous, but was the prosperity due to the low tariff, as the free trader claims, or to war, the demand for American foodstuffs and the discovery of gold, which are the causes assigned by protectionists?

Attempts to determine the effects of low or protective tariffs at any given period, in which their operation extends over a few years, are

unsafe and liable to be misleading, and the only satisfactory and fair method is to compare the visible effects of protective and low tariffs respectively upon the economic conditions of the United States prior to and since 1861. From 1790 to 1861, there have been only three brief periods of what is termed "Protection," two of these being of four years each and the other nine years; while the forty-three years since 1861 may be considered broadly as years of continuous Protection. Even in this comparison it should be borne in mind that much of the development of the great interior, much of the railway building, that placed the agricultural lands, the forests and the mines of the great Mississippi valley and the Lake region in touch with the world's markets, and the building of practically the entire system of railroads stretching from the Mississippi river to the Pacific ocean took place since 1861. Yet protectionists maintain that this very development was the result of the stimulus given to manufactures by the protective system. It is true that railroad building had been extensively carried on before 1861; it is true that the great agricultural region between the Rocky Mountains and the Mississippi had been developed; it is true that the South with its slave labour had brought to a high state of perfection its cotton, sugar, and tobacco, and thus the relative prosperity in the years of almost continuous low tariff anterior to that date may be measured against conditions of a later period.

It may not be improper then, in an attempt to judge relative prosperity after a long term of almost continuous low tariff with that of a long term of almost continuous protective tariff, to compare a few great factors of national well-being, whether as affecting the Government or the individual, and this would mean a comparison, where practicable, of conditions in 1860, the year preceding the adoption of the protective tariff, with those of 1903, or the last year for which data are available. In so doing two great facts must be kept in mind ; first, that the area of the United States in 1860 was precisely the same as that of to-day, omitting Alaska and the recently acquired foreign possessions ; and that the population of to-day is practically two and one-half times greater than that of 1860.

The decennial census of the United States has since 1850 stated the aggregate and the *per capita* wealth of the country. In 1860, the wealth was returned at £3,200,000,000 and the *per capita* wealth at £102 16s. ; the report for 1900 has not yet been officially published, but semi-official estimates put it at £18,800,000,000 or an average of £247 1s. *per capita*. Thus, the wealth in 1900 is about six times as great as in 1860 and the *per capita* wealth at the end of forty-three years of Protection is about two and one-half times as great as in 1860 at the end of the low tariff era. In 1860 the money in circulation in the United States was estimated at £87,000,000, or £2 15s. 7d. *per capita* ;

in 1903, it was officially stated to be £474,000,000, or £6 *per capita*.

This catalogue may be prolonged indefinitely. The protectionist can show, for example, that pig-iron, prior to 1860, had never reached a production of 1,000,000 tons and in 1903 exceeded 18,000,000 tons ; that copper production advanced from 7,200 tons in 1860 to 294,000 tons in 1902 ; in 1860 the production of wool was 60,000,000 pounds and in 1902 316,000,000 pounds ; cotton manufactures from being valued at £23,000,000 in 1860 had an estimated value of £67,800,000 according to the census of 1900, and so on with every other item of manufacture. Convinced that under Protection the United States has advanced by giant strides, that the nation in the aggregate is richer than it ever was before, and that the individual has obtained his fair share of the national wealth, the protectionist asserts that not only has Protection *not* imposed any burden of cost on the individual, but, on the contrary, it has lightened his burden and made it easier for him to contest for industrial supremacy.

The free trader does not controvert the statistics of the protectionist or attempt to dispute the financial or commercial importance of the United States in the roll of nations, but he insists that the tariff is based upon privileges, and that it taxes the many for the benefit of the few. Mr. W. H. Lamb, president of the New England Free Trade League, gives it as his opinion that much of the

discontent in America is the result of the feeling of injustice caused by the knowledge that the tariff is in the interest of a class. Mr. Holt, secretary of the tariff reform committee of the Reform Club of New York, holds that the United States would have made greater progress and been more at peace with the world if it had not adopted a protective tariff. "It is because we are such a great nation within ourselves," he says, "that we have been able to stand the burden of high tariff duties." Mr. Edward Atkinson, one of the most vigorous of American free traders, says the protective tariff system "has been productive of the greatest bankruptcy," and "the protective tariff system has retarded the manufacturing progress of the country."

It would be possible to cite numerous other statements if such citations were necessary to show that free traders believe that Protection has been an obstacle to the full industrial development of the United States. They can, however, no more prove their belief than the protectionist can demonstrate the scientific truth of his theory; but the protectionist has the advantage of position; he is able to oppose the negative remedy offered by the free trader with the positive condition—the result of Protection, as he claims.

Perhaps the difference in point of view of protectionist and free trader is no more sharply emphasised than in the opinions they hold on the subject of immigration. The labourer complained

that everything was protected except labour, and that while the manufacturer was safeguarded from the competition of European underpaid labour, the American workman found that labour being brought to America and used by the manufacturer to force down wages. Consistency and the fear of political consequences compelled the Republicans to pass laws prohibiting the entry of labour brought to America under contract, and from that time on the admission of aliens has been made more difficult and greater restrictions have been imposed.

The Democrats, among whom are found the great majority of the free traders—the Republican free trader is an anomaly—partly because of their economic creed, partly because the Democratic party is so largely recruited from the former subjects of certain European countries, has been less anxious to check immigration, although it has been forced to recognise the danger of antagonising labour by openly defying it. The Democrats, like the Republicans, are anxious to prohibit the landing of the defective, criminal or insane, but, unlike the Republicans, they oppose an educational test, which, if rigidly enforced, would prevent perhaps at least half of the now arriving aliens from entering the country.

Curiously enough, although at the present time it is the protectionist who would place greater restrictions on the immigrant and the free trader who would remove those restrictions, American labour,

the protectionist maintains, has less to fear from immigration than has the labour of any other country, because the evils of immigration more readily correct themselves in a country where the scale of living is high than where it is low.

"The Italian who lives largely on vegetables in Italy," the Industrial Commission reported, "cannot do the work of American labourers unless he has meat and bread. It is everywhere found in all American occupations that the immigrant cannot keep pace with the American mechanics and labourers. For the first year or more the pattern of speed set for him exhausts his strength. It is not merely that he is ignorant of American methods and devices; he is also unequal to the American intensity of exertion. . . .

"This hot exertion of American mechanics and labourers is directly traceable to the mobility of the American labour, including under that term immigration. Men who have left their homes and gone among strangers, are thrown upon their industrial merits, and are spurred to activity greater than they ever felt before. Their traditions and habits of life are broken. They leave the customary track and break across into new paths." (Vol. XV., pp. 310-311.)

If "this hot exertion" did not exist in America, if the American labourer lived on bread and vegetables as the Italian does in Italy, protectionists say the immigrant would be from the outset fitted to compete with the American, and the influx of aliens would result in dragging down wages, and with a reduction would follow a lowering of social conditions, which is the effect of immigration in the East End of London. But in America the accession of immigration is to the ranks of labour what a draft

of recruits is to a well-disciplined regiment. The recruits do not destroy the discipline or efficiency of the regiment ; they are not soldiers, even although they wear the uniform, until they have been man-handled into fighting material. Until the vitality of the immigrant has been improved by better food, until the effect of this better food shows itself in an increase of energy, which means an increase of productive power and a capacity for more sustained labour, he is unable to compete on even terms with the "American" labourer—who is often an alien brought up to the higher standard—and therefore he does not drag the great body of labour down to his own level. The more marked the comparison between domestic labour and foreign, the less domestic has to fear from immigration, is the theory of the protectionist.

CHAPTER XI.

THE TARIFF AS A WEAPON.

THE controlling motives of the early advocates of the protective tariff were solely economic. Protection was deemed an economic necessity; it was regarded as essential to enable a young and undeveloped country to develop its resources and become independent of foreign countries. It was purely a domestic policy. The first protectionists, splendid as was their vision, could not anticipate that day when the United States should be one of the great competitors for international trade, although they were men of vivid imagination, with superb confidence in their country's destiny. Of more recent years, since American exports of manufactured goods have occupied such a prominent place in the national balance sheet, it has been seen that the tariff may serve a dual purpose; it may have a political as well as an economic end; it may be used as a weapon of offence as well as a weapon of defence.

The opponents of Protection have asserted with much ingenuity of argument that trade is always bilateral, and that the protectionists, in an attempt to destroy a well-established economic law, would make it unilateral, which must have disastrous

effects. A nation, they say, cannot hope always to be a seller and never a purchaser ; nor is that desirable. The interests of nations are best served when there is a free exchange of commodities ; when they buy from and sell to each other, exchanging wares rather than money, so that Nature's vacuum in the one is filled by Nature's plenum in the other.

It has been urged that when a country systematically and persistently places a high duty upon the products of other countries with the avowed purpose of excluding them from its markets, or of embarrassing them for the benefit of its own industries, those countries will retaliate by excluding its products, and its export trade will be hampered or destroyed. The experience of the United States in the period of almost continuous Protection, from 1860 to the present time, has not justified this assertion ; on the contrary, it is in this period of the highest Protection the world has ever known that the exports of the United States have grown most rapidly.

In 1860 the exports from the United States were £66,600,000, and this was the highest figure prior to that time. During the decade which followed, the decade of civil war and slow recovery therefrom, there was a marked increase, the total for 1870 having reached £78,400,000 ; by 1880 it had grown to £107,000,000 ; in 1890 it was £171,400,000 ; in 1900, £278,800,000 ; and in 1903, £284,000,000. Thus in the years in which the United States was developing and increasing its protective tendencies,

the world quadrupled its purchases of American products. The answer to this might be that the world increased its purchases of American products simply because it was compelled to have American bread stuffs and meats for food, and raw cotton for manufacturing purposes, but Protectionists point out that the increase in exports of manufactures has been equally rapid and striking, and that the growth of exports of manufactures has been most marked during the years of highest Protection. In 1860, after the low tariff era, the total exports of manufactures amounted to £8,000,000, which exceeded the total of any preceding year. Every decade since the increase has been progressive, and in 1900 the exports of manufactures were valued at £86,600,000, or nearly eleven times as much as in 1860, and it may be added that the greatest growth has been coincident with the highest Protection, and during the existence of a tariff against which greater dissatisfaction was manifested by foreign countries than ever before. In 1897, pending the consideration by Congress of the Dingley Tariff Act, which was the most extreme measure of Protection adopted by the United States, thirteen countries protested against certain features of that Act ; but to these protests Congress paid no attention, the Bill was enacted into law, and in every single instance the protesting countries have increased their imports from the United States.

Equally interesting is it to note that the United

States continues to increase its consumption of foreign wares. The Daily Consular report of the Department of Commerce and Labour (No. 1886, February 26th, 1904) shows that in 1870 imports, exclusive of money, were valued at £87,191,681 and in 1902 at £180,644,189. The increase of imports in thirty years from six of the principal European countries was :—

| | Per cent. |
|---------------------|-----------|
| France | 94 |
| Germany | 277·6 |
| Belgium..... | 425·6 |
| Italy | 360·1 |
| Spain | 127·3 |
| Great Britain | 9·1 |

“Naturally Great Britain,” the report adds, “furnished formerly more manufactured wares to the United States than did any other country, but statistics show that imports from Great Britain during the last thirty years increased only 9 per cent., while those from Germany, France, and other European countries show a large increase. In 1902, Great Britain furnished \$165,746,560 of the \$475,161,944 of the European manufactured products imported into the United States; most of the remainder came from the European Continent. Imports from Germany and France combined exceeded those of Great Britain by \$19,000,000.”

In recent years American statesmen have recognised the use to which the tariff could be put as a weapon, both commercially and politically. The American people have made their tariffs in consonance with their economic ideas, and without regard to the injury that might be caused other

nations. When they deemed it for the national welfare to build up the tin plate industry so as to manufacture tin plate at home instead of buying it abroad, they made the duty high enough to encourage American capital to embark in the business, uninfluenced by the fact that it carried great injury to the tin plate mills of Wales, and without being inspired by any feelings of hostility. When thirteen European countries protested against certain features of the Dingley Bill, those protests were respectfully but ineffectually received. The very fact that Europe protested carried conviction that wares formerly purchased from the protesting countries would thereafter be manufactured in the United States, to the advantage of American labour and American capital. The United States was not making industrial war on Europe, but it was protecting itself.

The tariff can be used as an economic regulator, and especially in those cases where Governments pay bounties to encourage the domestic producer to seek a foreign market. The Dingley Act, to prevent an unfair competition, gives to the Secretary of the Treasury power to impose a "countervailing" duty equal to the export bounties paid upon sugar, so that the exporter of bounty-fed sugar cannot come into the American market and break the price. This provision of the law was enforced by the United States against Russia; it naturally caused some friction in Russia, and led to a threat on the part of Russia to cease to take American

imports. Yet American exports to Russia have increased in value since the enforcement of the "countervailing" duty.

Frequently the tariff has assisted the work of diplomacy. The tariff gives diplomacy something with which to "trade"; it is an important make-weight to be thrown into the scale when concessions have to be made or are to be demanded. It can be, and has been, used as a means to prevent other countries from imposing tariffs that might be injurious to great American industries. In late years, in framing an American Tariff Act, members of Congress have been influenced in a measure by the tariffs of other countries; never hesitating to impose a high duty when that seemed necessary, but willing to make a slight reduction if that seemed advisable as a whole. But in dealing with a free trade country, whether in commercial or political negotiations, the fear of that country imposing restrictive duties has not to be taken into consideration. In a word, one side is armed with an effective weapon, and the other side is weaponless.

The geographical position of the United States and Canada has made their respective tariffs of peculiar interest the one to the other. The accident of politics makes one tariff end and another begin at an imaginary line, often to the annoyance and loss of people on both sides of the line. Canada, small in population and wealth compared with her more powerful Southern neighbour, with her

resources only partially developed, has naturally been desirous to obtain access to the American market. During the last few years Canada, under the fostering care of a protective tariff, has become so prosperous and is advancing so rapidly in wealth and consuming capacity, that her market is of sufficient importance to invite American invasion.

When the Dingley Bill was under consideration, Canada proposed to the United States mutual tariff concessions, on the assumption that they would be for the benefit of both countries. The United States declined to entertain the offer, believing that it was required to give more than it would receive, and duties on certain articles that Canada would be able to sell in the United States were made so high as to be practically prohibitive. In retaliation, Canada announced her purpose to grant to England, and any British colony or possession making similar concessions, a reduction of $12\frac{1}{2}$ *per cent.* of the duties paid by other nations. In the following year this preferential rate was increased to 25 *per cent.*, and in 1900 it was still further increased to $33\frac{1}{3}$ *per cent.* British importations into Canada, therefore, pay one-third less duty than those from the United States.

It would be foreign to the purpose in view to discuss the wisdom or folly of the statesmanship that makes two adjoining countries, whose people speak a common language and whose methods are similar, unable to reach a mutually satisfactory agreement, but it is of interest to point out how

little the United States is influenced by the actions of other nations. Mr. Dingley and his associates knew in 1897 that Canada would grant Great Britain a preferential rate if the United States refused to make concessions. Having, as a matter of business, decided that the price asked for Canadian favours was higher than the United States could afford to pay, measures were taken to nullify the injurious effects of the Canadian policy, and the future was faced with a sense of security. Despite the reduction given to British imports, American imports have shown a greater increase than British, both in percentage and volume. English imports from 1896 to 1903 increased 80 *per cent.*, or, in value, from £6,595,948 to £11,779,380, while the imports from the United States increased 135 *per cent.*, or from £11,714,805 to £27,521,039. This growth in the commerce of the United States with Canada is, of course, due chiefly to the proximity of the two countries and the convenience with which the Canadian merchants can transact their business with the American manufacturer, and the difference in time between sending an order to England and any of the large manufacturing centres in the United States. Those are advantages that the United States will always possess in competing for the trade of Canada, although one would question whether they are great enough to overcome the handicap of the difference of duties in England's favour. Apparently they are, as the statistics indicate; but

perhaps it may not be improper to assume that the United States is able to compete with England, despite the preferential rate, because the United States can manufacture at a lower cost than England.

The experience with Canada is of interest to protectionists as destroying another free trade theory. Free traders have always maintained that Protection was dangerous and likely to lead to friction between nations; that any increase in duties by the United States would at once be met by a corresponding increase by the nation affected; that it would possibly result in concessions being made to other countries to the exclusion of the United States, with the inevitable result of dislocation of business and loss of trade, and perhaps even a more serious state of affairs. The theoretical condition so often presented by free traders became an actuality the moment Canada enacted a preferential tariff in favour of England and directed against the United States. But the predictions have not been verified. Instead of Canada refusing to buy from the United States, she has, as we have seen, more than doubled her purchases in the last seven years. Instead of Canada's preference for England leading to friction between Canada and the United States, or the United States and England, the relations between the three countries are more cordial and intimate than they have ever been.

Canada serves also to confirm another theory of

the protectionists that convinces them of the advantages of Protection. Canada, they say, would like an easier access to the American market. She can have it whenever she admits certain articles of American manufacture free, and in return concessions will be made to her. If the United States had no tariff there would be nothing to offer Canada as an inducement; and if Canada had no tariff she could give nothing in return. Each has something that the other wants, but both are good traders, and are naturally trying to drive the best bargain. Up to the present time they have been unable to reach an agreement, because, if the truth must be told, both have been so well satisfied with existing conditions that they have been content to let well enough alone, and not give up a certainty for an uncertainty.

When the Dingley Bill was enacted it gave the President power to conclude reciprocal arrangements with foreign countries, by which duties on certain articles were to be reduced in return for reductions made on certain other articles by foreign countries. It has frequently been said that Mr. Dingley made many of the duties excessively high so as to force reciprocal arrangements, but if that was his intention it has not been successful, because the United States has invariably demanded too much, and in the few cases where it was possible to conclude reciprocity treaties the Senate has refused to ratify them. The scheme of reciprocity

still further penalises a free trade country. England, who admits all American products free of duty, has no concessions to offer in the way of abating certain duties, and, therefore, can receive nothing in return ; France, who taxes all American products, has only to reduce certain duties to obtain free access to the American market ; an injustice so palpable that some members of Congress have refused to advocate reciprocity because it would discriminate against England, the one country of all others, they say, to whom the greatest favours ought to be extended in view of her market being open to America. Nor is England able to lift a finger to help her struggling colonies. Jamaica and Newfoundland have concluded reciprocal conventions with the United States, which the Senate has refused to ratify. If Jamaica could send her fruit and Newfoundland the yield of her fisheries to the United States, both colonies would be much more prosperous, but they are denied this boon, and England can do nothing, because there is no tariff to be applied on American goods, there is no way to bring the United States to terms ; the tariff as a weapon cannot be used by England.

CHAPTER XII.

GENERAL CONCLUSIONS.

FROM whatever standpoint one discusses the question of national prosperity and individual welfare, whether one approaches the consideration of the subject as a protectionist or a free trader, no matter what his opinion may be on economics, it cannot be controverted that the truth is found in the following propositions :—

That the greater the capacity of the labourer to earn money the greater will be his purchasing capacity ;

That the greater his purchasing capacity the greater his consuming power.

Or, put in another form :—

The more money the labourer earns, the more he will spend ; and the corollary of these premises is :—

With the increase of the productive power of a people follows greater and more diffused prosperity ; greater productivity means a low labour cost of production, and the rate of wages bears an inverse ratio to the cost of production ; the cost of production being

highest where wages are lowest, and, conversely, wages being highest where the cost of production is lowest.

These seeming paradoxes become susceptible of rational explanation if one examines into the economy of production and is not biassed by preconceived prejudices. My first proposition demands no detailed consideration. It is self-evident that the more money a labourer is able to earn the more money he will have to spend ; and in the use of the latter word I include not only the money disbursed for necessities or luxuries, but also such sums as the labourer may save or as constitute an investment.

Nor is it necessary, I think, to enter into any elaborate discussion to prove what is equally self-evident, that the greater a man's purchasing capacity the greater his consuming power ; or, put in other words, the better able a man is to satisfy his wants the more highly developed those wants will become, and the more they will need before they are satisfied. The desire for decent surroundings leads to a desire for decent clothes, for better food, for greater comforts generally, for luxuries for mind and body, all of which tend to advancement and progress. The limit to this desire is simply the limit of intelligence.

We have the authority of all competent observers in America that one of the reasons to explain the secret of American prosperity is the great productive power of the American workman, his output

being so much larger than those of his foreign competitors that the cost of the American product is less than that of any other workman ; and it has also been demonstrated that wages and labour cost bear not the relation that is ordinarily supposed ; that is, it is not true that low wages are an indication of low labour cost, but rather the reverse ; the low-priced workman being usually an unintelligent and unskilled worker and unable to compete with the high-priced worker of greater intelligence and skill.

The unrelation of labour cost and wages was graphically explained by Edward Atkinson in his testimony before the Industrial Commission, and although Mr. Atkinson is one of the most advanced of American free traders, he could not bind himself to certain irrefutable economic facts. Mr. Atkinson told the Commission that a few years ago gunny bags and gunny cloth were imported in large quantities, but now jute butts are imported, from which the bags are made. One of Mr. Atkinson's friends in Calcutta came to America to find out the reason for the change.

"He went to a great factory in Brooklyn," as Mr. Atkinson testified, "of which the late Mr. Marshall was the treasurer and manager (a very stout free trader), and went over his mill. He saw these great looms working with one man to the loom on gunny cloth. Said he: 'How much does that man earn?' Mr. Marshall replied, '\$1.50 a day.' 'Why, the weavers in Calcutta only earn 12½ cents a day. I do not understand it. How do you explain it, Mr. Marshall?' Mr. Marshall replied, 'What is the cost of weaving in Calcutta a yard of gunny cloth at

12½ cents a day?' He said '2½ cents a yard.' Said Mr. Marshall, 'The cost of weaving on that loom is one-half cent a yard.' 'Well,' said my friend, suddenly enlightened, 'I have come half way around the world to find out what a d—d fool I have been.' "

Mr. Atkinson's Calcutta friend, after travelling half way around the world only needed to have his object lesson so strikingly placed before him for his mind to be illuminated and for him to grasp the fact that wages and labour cost are not related ; but it is a fact as yet only partially understood. If we take these two typical examples—the Calcutta weaver at 12½ cents, or 6*d.* a day, and the Brooklyn weaver at \$1.50, or 6*s.*, we instantly perceive the effect on general prosperity when the purchasing capacity of the workman is high, and that low labour cost and high wages are synonymous economic terms. Theoretically the manufacturer of gunny cloth in Calcutta ought to be able to undersell his American competitor, because he pays only one-twelfth the wages paid in Brooklyn, but as a matter of fact, yard for yard, the Calcutta weaving costs five times as much as the American. But that is the most insignificant item in the cost. The weaver in Calcutta earning 6*d.* a day, and the cost of weaving being 2½ cents, or approximately 1¼*d.*, a yard, his day's output is only five yards. The American weaver, on the other hand, earning 6*s.* a day and his labour cost being ¼*d.* a yard, his daily output is 300 yards. Eliminating for the moment, for the sake of convenience, the cost

of raw materials, management, profits and other charges necessary to the conduct of the business, we have established an irreducible minimum below which the product cannot be sold, that minimum being the labour cost. In Calcutta it is $1\frac{1}{4}d.$ a yard, in the United States it is $\frac{1}{4}d.$ It must be further obvious that the manufacturer who can make 300 yards a day can do business at a smaller margin of profit than the manufacturer whose daily output is only five yards. Every yard of goods sold must bear its proper proportion of the general expenses. If in the one case the total sales are 300 yards and in the other five, in the former the cost per yard for general expense is only a minute fraction of what it is in the latter. Could there be a more telling presentation of the effect of productivity in reducing cost, and the economy of high wages in the cost of production?

I now use the same illustration to show the effect on the individual and the community resulting from a high purchasing capacity. The Calcutta weaver has $6d.$ a day and that $6d.$ must pay for his housing, his food and his clothes. We may say in effect that the Calcutta weaver has no purchasing capacity; his few pence must be used for the barest necessities of life, and it is only by the greatest frugality that he can support life, and then it is under such adverse conditions that his vitality is kept at the lowest state. The American weaver with his $6s.$ a day, after he has paid for his lodging and food, which is richer in the elements of

nutrition than the food of the Calcutta weaver, has a surplus left of not less than 3s. a day—3s. to be spent for clothes, tobacco, books, pictures, beer, the theatre, whatever he will, according to his tastes and his intelligence. Multiply that 3s. a day by one hundred, the number of men, for example, in a small factory; multiply that hundred by another hundred, the number of men in a group of factories; and multiply the sum once more by a thousand, which is below the total of the working-men in the United States earning 6s. a day, and you have a daily purchasing capacity of £1,500,000, which goes into the purchase of articles of daily use—of boots and hats and clothes, of furniture and what one will, articles that, so soon as they are withdrawn from the market by purchase or consumption, must be replaced by others, so that the working-man continually makes a market for products, he keeps a large volume of money in circulation, and furnishes work for himself as well as his fellows. The Calcutta weaver creates no market, or at best a market so small that it is infinitesimal; the American weaver creates a market greater than that to be found anywhere else in the world.

It may seem to the reader that I have unduly dwelt upon the importance to be attached to high wages, but that is the very keystone of the arch of Protection, and unless Protection produced high wages it would cease to have an economic justification. High wages, great productive power, and great purchasing capacity are the coefficients of

Protection, and unless the importance of those three factors is properly emphasised the philosophy of Protection would not be intelligible. The high wages of America, protectionists assert, are the cause and not the effect of national prosperity. The free trader does not share this opinion; he more often agrees with the European economist that wages are unduly high in America. This is one of the irreconcilable differences between free traders and protectionists. It is the conflict of cardinal beliefs. To the free trader cheapness is the economic *Ultima Thule*, to the protectionist a proper reward, whether for labour or the product of labour, is the finality for which he strives. "Happy as the augury is for the working class," says a writer, "the employer of labour is not only not injured, but fully as much benefited by the inevitable results of a high rate of wages." And the same writer adds this significant testimony to the economy of high wages and its inevitable corollary of low labour cost:—

"The wages paid in the [ship] yards of Scotland and England are the highest paid in any calling. At times of activity the earnings in the trades connected with the building rise to £4 and £5 a week, two and three times the rates paid in outside occupations. Still, England is the iron boat-builder of the world, and is only equalled by America in regard to the high wages paid to the worker and low cost of construction by the ton."

In this one industry—in the building of ships—Great Britain holds the primacy and is able to

compete with all the world ; to undersell all her rivals ; to build better and cheaper ships in less time than any other nation. One is naturally impelled to ask whether England's acknowledged supremacy in ship-building is the result of accident or the effect of more subtle causes ; whether high wages are not able to command artisans of the highest intelligence and superior physical strength, those two elements comprising the sum of the low cost of production.

The charge that the protectionist most frequently has to meet is that he seeks to discourage international trade. "Tariff is often represented as a Chinese wall, which shuts out each nation from any trade with its neighbours," says one of the defenders of Protection. He points out that protectionists are pictured as wishing for a tariff that would cut off each nation from the benefits of commerce. This position, the protectionists assert, does them an injustice. They do not wish, any more than free traders, to destroy foreign trade or curtail it. They are fully as eager as their opponents to develop foreign trade, but with this difference : the protectionist does not believe it to be profitable to encourage foreign trade at the expense of domestic manufactures or domestic labour ; he does not believe it to be true economy to effect a small saving by buying abroad the same articles that can be made at home, when by buying abroad he supports foreign labour and deprives home labour of employment.

There is also a marked difference between the free trader and the protectionist in the relative importance to be attached to foreign trade. The free trader holds that foreign trade is of twofold advantage. First, it enables the American consumer to obtain at a lower price those articles which can be produced cheaper abroad than in his own country; second, the larger the American market for foreign goods the larger the foreign market for American goods, so that there is a double benefit conveyed. The protectionist, however, attacks both propositions. He relies on experience to sustain his position that a reduction of cost has not been brought about by the competition of foreign manufacturers, but by the stimulus given to American inventive skill and enterprise, and but for the inducements offered to American capital and intelligence to compete for the possession of the home market, the great reduction in the price of all articles of use and necessity, which has been one of the most striking phenomena in the industrial development of the United States, would have been impossible; and it is the competition of Americans first with the foreign manufacturer and later with themselves that has cheapened all manufacturing processes.

In meeting the contention of the free trader that an American market for foreign goods leads reciprocally to a correspondingly favourable foreign market for American goods, the protectionist says that assumption is based on a false theory. It is a

theory predicated on the infantile belief that the commerce of nations is governed by the same considerations that lead children to share their playthings ; that sentiment and self-interest are the mainspring of business. Business, the protectionist is fond of saying, is an entity that is animated neither by affection nor patriotism ; that is controlled neither by love nor fear ; that knows no flag, no language, no coinage ; which follows the line of least resistance, that follows any flag, to which the dollar, the sovereign, the franc, or the mark is one and the same, so long as it is of proper weight and fineness and bears the mint stamp of authority. No nation buys from another because it is controlled by feelings of good-will. It buys because it is a necessity, or because it can buy cheaper in that market than elsewhere. In support of his position the protectionist cites the increase of the export trade of the United States during the period of high Protection and the increase of the import trade. The United States, the protectionist says, has found an increasing market for its products in Europe because America can successfully compete with Europe ; the United States has been able to buy more from Europe because Protection has increased national prosperity, it has given the American people more money to spend on articles in which Europe peculiarly excels, but it would not be possible for them to make these foreign purchases if it were not for Protection.

And finally, and in conclusion, the protectionist maintains that while the doctrine of Free Trade might have been good in the past for a particular nation, it does not necessarily follow that it must be good for all times or for other nations. Every nation must work out its own industrial salvation, and every progressive nation must adapt itself to its own economic conditions, and the relations which those conditions bear to the problems of economy of all other nations. The fundamental principles laid down by Adam Smith and developed by his disciples, which have been erected into a creed and invested with the odour of sanctity, are not regarded as sacrosanct by the protectionist. The fathers of Free Trade were fallible and not infallible. They were endowed with no divine light. They sought to teach the world the truth as they conceived it, but that gave them no title to inerrancy. The gospel of Adam Smith, as expounded by Ricardo and Mill and the apostles of Free Trade, the American protectionist refuses to receive, because he claims that it has not stood the test of time, it has failed to satisfy the touchstone of experience. Every theory of the American free trader has been disproved in practice; every experiment with Free Trade has been injurious to American industry. Every time the United States has departed from its traditional policy of Protection disaster has followed in its train; every time the United States has abandoned Free Trade and reverted to Protection the forge is

re-lit, the silent loom pulses with renewed activity, the languid lathe becomes infused with a new life ; the farmer no less than the artisan is prosperous ; work is plentiful and wages are high. These are the substantial reasons to convince the protectionist that Protection is the proper policy for the American people.

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